

Public Service Commission of Wisconsin
RECEIVED: 08/06/14, 12:27:54 PM

Ex.-WEC-Lauber-1

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Energy Corporation)	
for Approval of a Transaction by which)	
Wisconsin Energy Corporation Would Acquire)	Docket No.:
All of the Outstanding Common Stock of)	
Integrys Energy Group, Inc.)	

**APPLICATION OF WISCONSIN ENERGY CORPORATION
FOR APPROVAL TO ACQUIRE THE STOCK OF
INTEGRYS ENERGY GROUP, INC.**

Wisconsin Energy Corporation ("WEC") hereby requests approval by the Public Service Commission of its plan to acquire 100% of the outstanding common stock of Integrys Energy Group, Inc. ("Integrys"), which is referred to throughout this Application as the "Transaction". The Transaction will create a new Wisconsin based company -- WEC Energy Group, Inc. ("WEC Energy Group") -- that will be one of the largest utility companies in the country, with a combined rate base of nearly \$17 billion that will serve approximately 4.3 million customers across four states.¹

The Transaction is in the best interests of utility consumers, investors, and the public because it will:

- create a larger and financially stronger Midwestern utility company with greater liquidity and improved access to capital markets that will enable it to pass along to its customers the benefits of lower-cost debt over the long term and strengthen each of the WEC Energy Group operating companies,

¹ The combined company is expected to be the 14th largest utility company in the United States in terms of market value, the 8th largest natural gas utility in terms of customers, and the 15th largest utility in terms of combined electric and gas customers.

including its Wisconsin electric and gas utilities, by integrating best practices in areas such as distribution operations, large capital project management, gas supply, system reliability and customer service;

- maintain WEC's and Integrys's long tradition of making significant contributions to regional economic development and generous support of educational, cultural, and charitable activities in the communities they serve;
- create a more diversified generation portfolio with a larger geographic footprint;
- facilitate continued prudent investment in needed utility infrastructure, including the ability to use the strong cash flow of the combined companies to fund future investments without issuing new equity; and
- position the combined entity for continued growth.

The Transaction will also benefit the customers of Wisconsin Electric Power Company, Wisconsin Gas LLC and Wisconsin Public Service Corporation over time by creating opportunities to achieve savings through:

- enhanced purchasing power;
- economies of scale;
- joint resource planning over a larger and more diverse system;
- the adoption and implementation of best practices;
- other efficiencies in operations and maintenance and project management;
- and
- sharing administrative and other service costs over a larger organization.

While a detailed analysis of potential savings that may result from the Transaction over time has not been performed, an examination of savings attributable to similar transactions suggest that over time the Transaction is likely to generate net savings in the range of three to five percent of non-fuel O&M of the combined company.

The Transaction will not lead to any immediate rate impacts. As they are achieved over time, WEC Energy Group will deliver the benefits of the Transaction to its customers when retail base and fuel rates are reset based on the cost of service in future rate proceedings. WEC expects that future rates will be lower than they would have been without the Transaction.

The Transaction reflects the movement toward consolidation in the utility industry over the past two decades. In recent years, electric and gas utilities have experienced slow demand growth due to economic conditions and increased energy efficiency and conservation. Combined with steady increases in operating costs, utilities face financial pressure on cash flows, balance sheets and credit metrics. The strategic combination of two leading Wisconsin energy companies will enable WEC Energy Group to attract the capital needed to finance its capital investments on favorable terms in the future, investments that include the replacement of aging gas and electric distribution infrastructure over the next decade.

It is common in transactions of this nature for the acquiring company to pay an "acquisition premium," that is, to pay a price for the acquired company that exceeds the latter's book value. For example, when WEC acquired WICOR in 2000, the total acquisition premium was \$818 million, of which \$458 million was attributed to Wisconsin Gas. The Commission granted WEC's request to be given the opportunity to recover the acquisition premium in rates by authorizing a five-year rate restriction period as a mechanism that "provides the utilities with

the opportunity to recover the acquisition premium" by retaining acquisition-related savings during the rate restriction period.²

Unlike the WEC-WICOR transaction, and in order to minimize the impact of the Transaction on customers, WEC does not seek any rate recovery of the acquisition premium of \$2.4 billion. In addition, WEC -- not utility customers -- will bear all of the costs incurred to execute the transaction (what the Commission has referred to in the past as "transaction costs").³ Further, in order to minimize disruption and ensure a deliberate transition to combined operations, WEC expects the vast majority of reductions in employee headcount resulting from the Transaction will come through attrition and voluntary severance over time. WEC Energy Group will also continue to honor existing labor agreements in place at its various operating utilities.

In this Application, WEC has made several proposals which it would be reasonable for the Commission to include, in an appropriate form, as conditions for approval of the Transaction:

- Neither the acquisition premium nor the costs of executing the Transaction may be recovered from utility customers.
- WEC will ensure by appropriate means that WEC Energy Group will vote its ATC ownership interest as described in the Application.
- Upon receiving regulatory approval of the necessary affiliated interest agreements, those agreements will be executed so the WEC companies can receive services from centralized service company and so that the

² Final Decision 9, *Application of Wisconsin Energy Corporation for Approval to Acquire the Stock of WICOR, Inc.*, Dockets 9401-YO-100 and 9401-YO-101 (March 14, 2000) ("WEC/WICOR Order").

³ Final Decision 12-13, *Investigation on the Commission's Own Motion into the Merger, Combination, Reorganization of WPS Resources Corporation and Peoples Energy Corporation*, Docket 9405-YI-100 (Feb. 16, 2007) ("WPSR/PEC Order").

WEC and Integrys companies can provide services to one another, where it is in customers' best interests to do so.

- For 2 years from the date of closing of the Transaction, any reduction in headcount among employees in Wisconsin who are represented by a labor union will occur only as the result of voluntary attrition or retirement.
- Before filing for approval of any legal merger of utilities or "levelization" of rates between utilities, WEC will confer with Commission staff and other affected parties.

The Transaction requires the Commission's approval under § 196.795(3), Wis. Stat., which requires that the acquisition of a Wisconsin holding company (in this case, Integrys) be "in the best interests of utility consumers, investors and the public." For the reasons set forth in this Application, the Transaction clearly meets this standard. In addition, WEC seeks Commission approval under § 196.52, Wis. Stat., of several affiliated interest agreements that are intended to facilitate the transition to combined operation of WEC, Integrys, and their operating companies. These affiliated interest agreements are described in Section III. A. of this Application. No rate changes or other approvals are sought or are at issue in this proceeding.

I. THE PARTIES TO THE TRANSACTION

A. Wisconsin Energy Corporation

WEC is a holding company with a number of wholly owned subsidiaries. In fiscal 2013, WEC had operating revenues of approximately \$4.5 billion, net income of approximately \$577.4 million, and employed approximately 4,300 people. Through its subsidiary utilities, Wisconsin Electric Power Company ("WEPCO") and Wisconsin Gas LLC ("WG") (both doing business as "We Energies"), WEC serves 1.1 million electric customers and 1.1 million natural

gas customers throughout Wisconsin and the Upper Peninsula of Michigan. WEC's utility assets include 5,987 MW of electric generation capacity, 45,597 miles of electric transmission and distribution lines, and 20,967 miles of gas transmission and distribution lines.

While WEC, the holding company, was formed in 1987, its predecessor companies have a history that dates back over 100 years. The Milwaukee Electric Railway and Light Company was formed in 1896 to provide electric, steam and interurban rail service in a service area covering more than 12,000 square miles. In 1938, the company changed its name to Wisconsin Electric Power Company, and over the years it has grown organically by investing in assets to serve its customers and by acquiring smaller utility businesses, including Wisconsin Gas & Electric (1941), Wisconsin Michigan Power Co. (1941), Wisconsin Southern Gas Co. (1994), and ESELCO/Edison Sault Electric (1998).⁴ In 2000, WEC acquired WICOR, a Wisconsin public utility holding company, including WICOR's subsidiary Wisconsin Gas.

Throughout its history, WEC and its affiliates have taken very seriously their responsibilities to stakeholders and their obligation to be good corporate citizens. This commitment has been widely recognized, most recently by the following:

- In 2014, *BizTimes* presented WEPCO with its Regional Spirit Award for the company's long history of commitment to the Milwaukee region.
- In 2014, *Corporate Responsibility* magazine recognized WEC as one of the 100 best corporate citizens in the United States for the seventh consecutive year based on environmental performance, employee relations, philanthropy, finance and governance.

⁴ In 2010, Edison Sault was sold to Michigan-based Cloverland Electric Cooperative.

- For 2013, PA Consulting Group presented WEPCO with its ReliabilityOne™ National Reliability Excellence Award, recognizing the company as the most reliable electric utility in America. In addition, for the ninth time in twelve years WEPCO received PA's ReliabilityOne™ Award for leading the Midwest region in electric reliability performance.
- For 2013, J.D. Power ranked WEPCO second in the Midwest region for overall residential electric customer satisfaction (considering price, communications and customer service, corporate citizenship, billing and payment, and power quality and reliability).
- For 2013, J.D. Power ranked WEPCO highest among large utilities in the Midwest region for overall business electric customer satisfaction (considering price, communications and customer service, corporate citizenship, billing and payment, and power quality and reliability).

B. Integrys Energy Group, Inc.

Integrys is a holding company that was originally formed in 1994 and took its current structure on February 21, 2007, with the merging of WPS Resources Corporation and Peoples Energy Corporation. Integrys presently owns and operates six regulated natural gas and electric utilities that serve a total of 2.1 million customers in Wisconsin, Minnesota, Michigan, and Illinois.⁵ Integrys's subsidiary Wisconsin Public Service Corporation serves approximately 445,000 electric customers and 323,000 natural gas customers in northeastern and north central Wisconsin and an adjacent portion of the Upper Peninsula of Michigan. Integrys also owns and

⁵ In January 2014, Integrys announced an agreement to sell Upper Peninsula Power Company ("UPPCo"), which is an electric utility servicing customers in the Upper Peninsula of Michigan. This transaction is expected to close in the third quarter of 2014.

operates Integrys Energy Services, Inc. ("IES"),⁶ which provides retail gas and electric marketing to customers in 22 states across the northeast quadrant of the United States, and Trillium CNG, a leading provider of compressed natural gas fueling services. Integrys's utility assets include 2,816 MW of electric generation capacity, 25,100 miles of electric transmission and distribution lines, and 23,300 miles of gas transmission and distribution lines. Integrys's total revenue in 2013 was \$5.6 billion, with net income of \$350 million, and it employed approximately 5,000 people.

Integrys's subsidiaries have a long-established history of providing safe and reliable energy distribution services to their communities. In Wisconsin, Integrys companies have provided electric and gas service in the northeastern and north central parts of the state since 1883. Integrys and its subsidiaries have received numerous recognitions for their performance and community involvement, including:

- In 2013, Peoples Gas received the President's Award from the *Night Ministry* and the *Friends of the Parks* Corporate Partner Award for its community service work with those organizations.
- Integrys received an overall global rating of 10 from *Governance Metrics International* in 2011 and 2010.
- *Fortune* magazine named Integrys one of the Most Admired Energy Companies in 2009 and 2010.
- *Forbes* magazine listed Integrys as one of the "20 Most Responsible Companies" in 2010.

⁶ Integrys announced on July 30, 2014, that it is selling IES to Exelon Corporation. IES's solar generation will be retained and moved to another Integrys subsidiary. The sale of IES is expected to close no later than the first quarter of 2015.

- *H.R. Executive* magazine named Integrys its Most Admired Energy Company in HR for 2009.

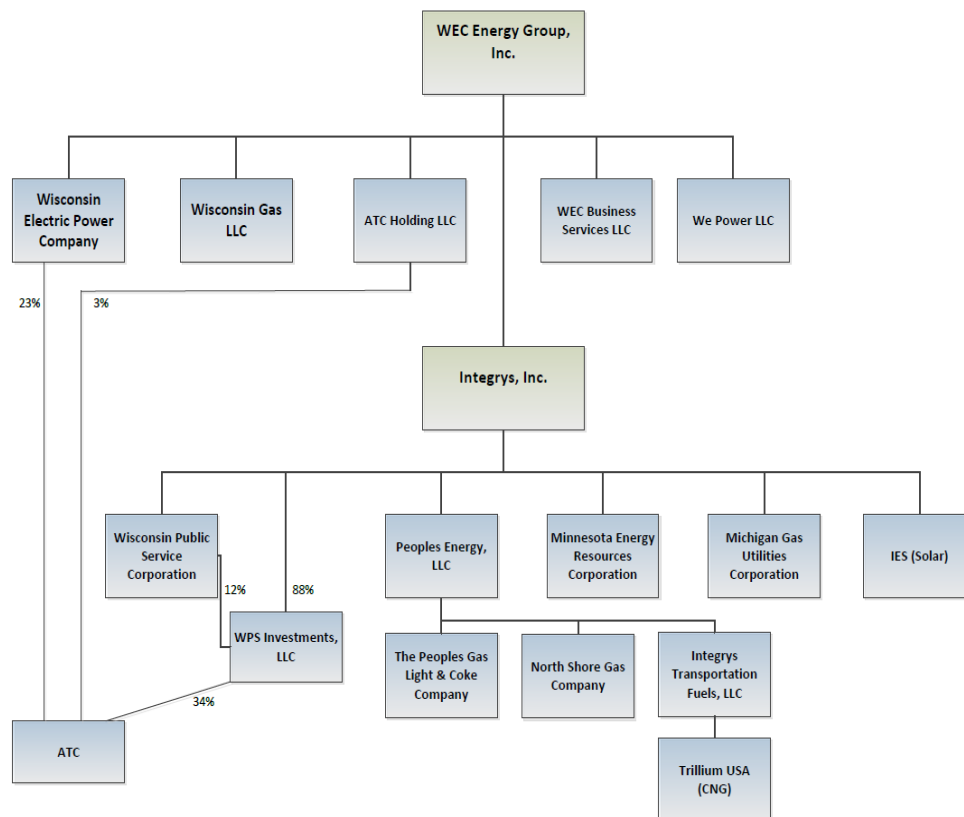
II. DESCRIPTION OF THE TRANSACTION

Under the terms of the Transaction, which has been unanimously approved by the boards of directors of both companies, Integrys shareholders will receive 1.128 Wisconsin Energy shares plus \$18.58 in cash for each Integrys share. Total consideration was valued on June 20, 2014, at \$71.47 per Integrys share, with a consideration mix of 74 percent stock and 26 percent cash. This represents a 17.3% premium to Integrys's closing price on June 20, 2014 and a 22.8% premium to the volume-weighted average share price over the 30 trading days ending June 20, 2014. The Transaction will be financed by issuing new WEC stock and by WEC issuing approximately \$1.5 billion in acquisition debt, likely in the form of intermediate and long-term debt. Upon closing of the Transaction, Integrys shareholders will own approximately 28% of the combined company. The overall Integrys transaction value is approximately \$9.1 billion, with \$5.8 billion for Integrys shares and \$3.3 billion of assumed Integrys debt.

At the time of closing the current Integrys holding company will merge with a subsidiary created by WEC, with Integrys being the surviving entity in that merger. Immediately thereafter, Integrys will merge into a second subsidiary also created by WEC, with the second subsidiary being the surviving entity in that merger. After these actions, the surviving entity, the "Subsequent Merger Subsidiary," will be a subsidiary of WEC Energy Group. The Subsequent Merger Subsidiary will stand in the shoes of Integrys and will have under it all the current Integrys utility subsidiaries except UPPCO and IES, which are being sold, and Integrys Business Support, LLC ("IBS"), which will become a direct subsidiary of WEC Energy

Group and be renamed WEC Business Services, LLC. All of WEC's current subsidiaries will continue to exist.⁷

Assuming all regulatory approvals are timely received, the Transaction is expected to close in the second half of 2015. The post-closing structure of the combined entity is depicted below.



*Material entities only. Assumes completion of UPPCO sale, disposal of IES (retaining solar), and setup of WEC service company

III. THE TRANSACTION SATISFIES THE STANDARD IN § 196.795(3).

The Transaction is governed by § 196.795(3), Wis. Stat., and should be approved if the Commission determines that it is "in the best interests of utility consumers, investors and the public." The Transaction clearly satisfies this standard.

⁷ The multi-step process outlined is dictated by the need to ensure for Integrty's shareholders the tax-free status of the stock portion of the Transaction.

A. The Transaction is in the best interests of utility consumers.

Many corporate transactions are motivated by a belief that consolidation can result in large, quickly-achieved cost savings. The source of such large, quickly-achieved cost savings is often massive reductions in employee headcount. This Transaction does not fit that mold.

As WEC has explained elsewhere, this Transaction is motivated by, and makes business sense based on, the fact that it results in a combined company with strong cash flow that can be prudently invested in needed energy infrastructure.⁸ WEC is not planning the sort of reduction in force that occurs in many corporate consolidations. To the contrary, the vast majority of any reductions in employee headcount are expected to occur over time through attrition.

However, even with no short-term merger-related cost savings, utility customers will benefit from the Transaction because they will be served by a larger, more diversified, financially strong energy company with deep roots in Wisconsin. WEC expects that utility customers will also benefit -- not immediately, but over time -- from a variety of opportunities the Transaction presents for the combined company. Among these is the opportunity to expand the scope of IBS, the Integrys centralized service company. Under existing, Commission-approved affiliated interest agreements, IBS currently provides Integrys's subsidiaries with support services that include administrative services, corporate development, customer relations, human resources and information technology. With appropriate affiliated interest agreements reviewed and approved by the Commission, IBS could ultimately supply common services to Wisconsin Electric and Wisconsin Gas, as well the current Integrys utilities. Merger-related savings which may accrue over time, and after upfront investment, may result from enhanced purchasing power, economies of scale, the documentation, adoption and implementation of best

⁸ Transcript of Wisconsin Energy Corp 6/23/2014 conference call to discuss the definitive agreement to acquire Integrys Energy Group, http://www.sec.gov/Archives/edgar/data/783325/000110465914047843/a14-15883_10425.htm.

practices, other efficiencies in operations and maintenance and project management, sharing administrative and other services over a larger organization, and the improved use of technology. Economies of scale may also be available -- over time -- in areas such as energy efficiency, low income, and conservation programs. Any such opportunities to realize efficiencies will always be carefully evaluated against the companies' long tradition of providing exemplary customer service.

Over time, customers may also benefit from the combined companies' larger, more diversified generation portfolio. No "dispatch" savings are expected because all generation will continue to be dispatched by MISO. However, longer-term resource planning based on the combined companies' larger generation portfolio and more extensive geographic footprint may reveal opportunities to economize that are not available to the stand-alone companies.

The Transaction is expected to have no short-run impact on customers' rates. As efficiencies are identified and realized over time, they will be reflected through the normal rate case process (as will any forward-looking costs to achieve efficiencies, what the Commission has referred to in the past as "transition costs")⁹. The costs incurred to execute the Transaction, what the Commission has referred to as "transaction costs," are being borne by WEC and no recovery of those costs will be sought from customers. WEC does not contemplate pursuing any legal merger of utilities at this time. Any legal merger of utilities or "levelization" of rates between the utilities would only be proposed when and if it can be shown to be in the best interests of all affected customers. If such a proposal were made, it would obviously be subject to review and approval by the Commission and input from all affected parties.

WEC Energy Group will have sufficient and reasonable measures in place at closing to ensure that there is no cross-subsidization between its various regulated and non-regulated

⁹ WPSR/PEC Order at 13.

subsidiaries. Currently, WEC and its subsidiaries share services pursuant to a series of Commission-approved affiliated interest agreements. The Integrys system includes a centralized services company, IBS, that provides a defined suite of shared services to the holding company and all of the operating companies under two affiliated interest agreements, one that applies to the regulated utility companies and a second, covering a smaller array of services, that applies to the non-utility companies. The non-IBS Integrys companies may also provide services to each other and to IBS under a separate Commission-approved affiliated interest agreement.

At or shortly after closing, IBS will become a direct subsidiary of WEC Energy Group and be renamed WEC Business Services, LLC ("WBS"). WEC expects that over time WBS will provide its utility subsidiaries and the holding company with an increasing range of services. However, adequate time for planning and implementation will be required in order to begin the provision of all of the services that WBS may ultimately deliver to the WEC companies.

WEC does expect that WBS will need to provide certain services to WEC and its subsidiaries immediately after closing, including senior management services and perhaps legal, accounting, human resources, finance and potentially other services. WEC expects that members of the senior management team with overall responsibility for the holding company and the utility subsidiaries, as well as other appropriate personnel, will become employees of WBS after closing so that their associated costs can be appropriately allocated across the WEC and the Integrys companies. In addition, it may be in the best interests of utility consumers for the subsidiaries of the combined company to be able to provide services to one another.

To accomplish these objectives, at or shortly after closing, WEC Energy Group and today's WEC subsidiaries will each execute affiliated interest agreements that allow, but do not require, the WEC entities to take services from WBS. These agreements will be based on the

Commission-approved Master IBS Regulated and Non-Regulated Affiliated Interest Agreements. This will permit the WEC companies to begin immediately receiving some services from WBS, while allowing a transition period during which it can be determined which additional services it would be in the utility consumers' best interests for the WEC companies to receive from IBS. The forms of these agreements, for which WEC seeks Commission approval, along with redlined comparisons to the existing IBS agreements, are attached as Appendix A.

In addition, WEC Energy Group and all of its subsidiaries (today's WEC and Integrys subsidiaries) will execute an agreement substantially similar to the Commission-approved Integrys Affiliated Interest Agreement, which will allow WEC companies to provide services to Integrys companies and Integrys companies other than WBS to provide services to WEC companies -- when it is in the utility consumers' best interests to do so -- all pursuant to appropriate contractual requirements, allocation standards, and compliance processes. The form of this Agreement, for which WEC seeks Commission approval, along with a redlined comparison to the existing Integrys agreement, is attached as Appendix B. The current WEC Master Affiliated Agreements will be terminated.

B. The Transaction is in the best interests of the public.

The Transaction combines two premier energy companies, both of which have deep roots in Wisconsin and in the communities they serve. Both companies have long traditions of making significant contributions to regional economic development and of generously supporting educational, cultural and charitable activities. The Transaction will ensure that this tradition continues. The headquarters of the post-merger entity and associated jobs will be located in Wisconsin and critical decisions affecting energy policy in Wisconsin will continue to be made in Wisconsin.

The companies' employees will benefit by becoming part of an organization that is better equipped to compete and maintain its independence and price competitiveness in the rapidly changing energy business. The vast majority of any workforce reductions resulting over time from the Transaction will occur through attrition and all union contracts will be honored.

C. The Transaction is in the best interests of investors.

The Transaction has been approved unanimously by the directors of both companies. As a result of the Transaction, the shareholders of the combined holding company will own a financially strong energy business that will be well-positioned in the market place to provide enhanced earnings and growth. Integrys's shareholders will receive a premium for their stock. In any event, the shareholders themselves will indicate where their best interests lie because the Transaction is conditioned on approval by the shareholders of both WEC and Integrys and such approval is expected.¹⁰ The major rating agencies have evaluated the impact of the Transaction on credit quality, and have reaffirmed the current credit ratings for WEC and Integrys and all of their utility subsidiaries that are rated.¹¹

E. Conditions to be included in a decision approving the Transaction

In this Application WEC has made several proposals which it would be reasonable for the Commission to include, in an appropriate form, as conditions for approval of the Transaction:

- Neither the acquisition premium nor the costs of executing the Transaction may be recovered from utility customers.
- WEC will ensure by appropriate means that WEC Energy Group will vote its ATC ownership interest as described in the Application.

¹⁰ The Integrys shareholders must vote on whether to approve the Transaction and the WEC shareholders must vote on whether to authorize the issuance of new stock to exchange for Integrys's stock. Shareholders of both companies are expected to vote before the end of 2014.

¹¹ Further details regarding the credit rating agencies' reactions to the Transaction can be found in the Direct Testimony of John Reed, which is being filed contemporaneously with this Application.

- Upon receiving regulatory approval of the necessary affiliated interest agreements, those agreements will be executed so the WEC companies can receive services from WBS, the centralized service company, and so that the WEC and Integrys companies can provide services to one another, where it is in customers' best interests to do so.
- For two years from the date of closing of the Transaction, any reduction in headcount among employees in Wisconsin who are represented by a labor union will occur only as the result of voluntary attrition or retirement.
- Before filing for approval of any legal merger of utilities or "levelization" of rates between utilities, WEC will confer with Commission staff and other affected parties.

IV. OTHER REGULATORY APPROVALS REQUIRED.

A. The Federal Energy Regulatory Commission

In order to proceed, the Transaction must be reviewed and approved by the Federal Energy Regulatory Commission ("FERC") under Section 203 (a) (2) of the Federal Power Act, 16 U.S. Code § 824b. Among the issues FERC will consider are:

- the effect of the Transaction on wholesale competition;
- whether the Transaction could result in cross-subsidization of a non-utility associate company by a traditional utility company;
- whether the Transaction could result in a pledge or encumbrance of utility assets for the benefit of an associate company.

One area of interest for FERC is likely to be the effect of the Transaction on the governance of American Transmission Company, LLC ("ATC"). Because WEC currently owns 26.24% of ATC and its corporate manager, ATC Management, Inc. ("Manager"), and Integrys owns 34.07%, the combined company will own 60.31% of the ATC member interests and the Manager's shares.

WEC and Integrys highly value the independent and collaborative manner in which ATC has planned and managed the transmission network in Wisconsin and the Upper Peninsula of Michigan and have no desire to exert additional influence over the management, operations, or planning activities of ATC. Consequently, other than with respect to certain fundamental corporate matters, WEC will commit that following the completion of the Transaction, on all matters requiring a vote of the Manager's owners, the combined company will independently vote only 34.07% of the Manager's shares. This is equivalent to the percentage of shares currently held by Integrys. The remainder of the shares held by the combined company will be voted in proportion to the way in which the Manager's owners who are unaffiliated with the combined company vote their shares. There will be no limitation on how the combined company votes the 34.07% of the Manager's shares that are voted independently.¹²

Thus, the combined company will have the same influence that Integrys does today on matters affecting the management, operations or planning activities of ATC. The owners unaffiliated with the combined company effectively will vote the Manager's shares that the combined company owns but does not vote independently, and control of ATC will be more

¹² To the extent a vote by ATC's owners is required, as opposed to action that can be taken by ATC's board, the fundamental corporate matters on which the combined company would propose to maintain its full voting power include: (1) a sale of all or substantially all of the assets of ATC; (2) a change in control of ATC or the Manager; (3) bankruptcy; (4) an initial public offering; (5) the merger or consolidation of ATC with, or a proposal to acquire all or substantially all of the assets of, another company; and (6) any proposal to amend ATC's or the Manager's governing documents that would reduce the combined company's rights as a member or shareholder. The combined company will not use its full ownership interest to initiate any of these or similar actions but will only act to protect and preserve its expanded economic interest in ATC if such actions are initiated by others.

distributed after the Transaction than it is today. To be clear, the combined company will commit not to use its full voting power to elect the directors of ATC Management. This commitment will be contained in the application to be filed at FERC for approval of the Transaction, and FERC will be asked to include the commitment as an enforceable condition to its authorization of the Transaction, should FERC deem such a commitment necessary.¹³

B. Antitrust Review

Section 7 of the Clayton Act (15 U.S.C. § 18) prohibits business combinations the effect of which may be substantially to lessen competition or to tend to create a monopoly. To facilitate enforcement of Section 7, parties to a proposed business combination such as this Transaction are required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a (the "Act"), to submit to the Federal Trade Commission ("FTC") and the Antitrust Division of the Department of Justice ("Antitrust Division") certain information regarding their operations and the proposed combination. The information must be provided to the agencies on a detailed Notification and Report Form for Certain Mergers and Acquisitions. The Act also prohibits consummation of the merger until all applicable waiting periods under the Act have expired or been terminated.

The Act is intended to identify and postpone consummation of significant merger transactions in order to allow the FTC and Antitrust Division to meaningfully analyze the competitive effects of the transaction and to give them the time and discovery authority necessary to challenge the transaction prior to its consummation if the reviewing antitrust agency believes that the transaction will result in competitive harm.

¹³ WEC believes that this commitment can be effectuated by an order from FERC, without requiring any modification of ATC's governance documents.

The parties' submission of their filings under the Act will initiate a waiting period which the parties must observe prior to consummating the merger. Additional information may be requested prior to the expiration of the initial waiting period. Such a request has the effect of extending the review process.

The federal antitrust enforcement agencies have been active in reviewing similar transactions in the energy industry, and it is expected that they will be vigilant with respect to this Transaction as well. In this case, WEC believes the proposed Transaction raises no significant issues regarding either horizontal or vertical market power in any appropriately defined market.

C. Federal Communications Commission

Integrus and WEC must also receive regulatory authorization by the Federal Communications Commission to transfer control of private radio and microwave licenses under which they operate wireless telecommunications systems to support daily operations.

D. Illinois Commerce Commission

Illinois law characterizes the Transaction as a utility "reorganization", and requires approval by the Illinois Commerce Commission ("ICC"). 220 ILCS 5/7-204. The issues likely to be reviewed by the ICC include:

- the ability of The Peoples Gas Light and Coke Company ("PGL") and North Shore Gas Company ("NS") to provide adequate, reliable, efficient, safe and least-cost public utility service;
- whether the Transaction will result in unjustified subsidization of non-utility activities by the utility or its customers;

- whether costs and facilities will be reasonably allocated between utility and non-utility activities so that the ICC can identify costs and facilities properly included by the utility for ratemaking;
- whether there will be significant impairment of PGL/NS's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure;
- whether PGL/NS will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois utilities;
- whether there will be any significant adverse effect on competition in markets over which the ICC has jurisdiction;
- whether there will be adverse rate impacts on retail customers;
- how any savings from the proposed reorganization will be allocated;
- whether PGL/NS will be allowed to recover costs of the reorganization and, if so, in what amount and using what allocation.

E. Michigan Public Service Commission

Michigan law treats the Transaction as a transfer of control over a "jurisdictional regulated utility" and requires approval by the Michigan Public Service Commission ("MPSC") under Mich. Comp. Laws § 460.6q. The issues to be reviewed by the MPSC include:

- whether the Transaction would have an adverse impact on the rates of the customers affected by the Transaction;
- whether the Transaction would have an adverse impact on the provision of safe, reliable and adequate energy services in Michigan;

- whether the Transaction will result in the subsidization of a nonregulated activity of the new entity through the rates paid by the customers of the jurisdictional regulated utility;
- whether the Transaction will significantly impair the jurisdictional regulated utility's ability to raise necessary capital or to maintain a reasonable capital structure;
- whether the Transaction is otherwise inconsistent with public policy and interest.

F. Minnesota Public Utilities Commission

Integrus's subsidiary Minnesota Energy Resources Corporation will file with the Minnesota Public Utilities Commission ("MPUC") to provide notice of and information about the Transaction. Should MPUC determine that its approval is needed, the standard for approval is whether the proposed action is consistent with the public interest. Minn. Stats. § 216B.50, Subd. 1. Traditionally the MPUC has used a balancing test, weighing relative costs and benefits.

V. RELIEF REQUESTED

For the reasons stated, WEC asks the Public Service Commission of Wisconsin to find that the proposed Transaction whereby Wisconsin Energy Corporation will acquire 100% of the outstanding common stock of Integrys Energy Group, Inc., satisfies the standard in Wis. Stat. § 196.795(3) in that the Transaction is in the best interests of utility consumers, investors and the public, and to approve the Transaction. WEC also asks the Commission to approve the affiliated interest agreement(s) described in Section III. A. of this Application.

Dated this 6th day of August, 2014, in Milwaukee, Wisconsin.

Respectfully submitted,
BRIAN D. WINTERS
JOSEPH O. WILSON

/s/ Brian D. Winters

QUARLES & BRADY LLP
411 East Wisconsin Avenue Suite 2350
Milwaukee, WI 53202-4426
(414) 277-5000

Attorneys for Wisconsin Energy Corporation

SUSAN H. MARTIN
WISCONSIN ENERGY CORPORATION
231 West Michigan Street
Milwaukee, WI 53203

General Counsel Wisconsin Energy Corporation

INTERIM WBS REGULATED AFFILIATED INTEREST AGREEMENT

THIS INTERIM WBS REGULATED AFFILIATED INTEREST AGREEMENT ("Agreement") is entered into this ____ day of _____, 2015, by and among WEC Business Services, LLC, a Delaware limited liability company ("WBS"), Wisconsin Electric Power Company ("WEPCo"), a Wisconsin company, and Wisconsin Gas Company, LLC ("WGC"), a Wisconsin limited liability company. All of the parties to this Agreement shall be collectively referred to as "Parties," and WEPCo and WGC shall be collectively referred to as the "Client Companies."

RECITALS

A. Each of the Client Companies is a state-regulated utility operating company, a wholly-owned subsidiary of WEC Energy Group, Inc. ("WEC"), and an affiliated interest of the other Parties pursuant to the applicable public utility law of Wisconsin and Michigan.

B. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate their regulated utility businesses with the integration of certain activities by receiving services, employees, properties, information systems, property, services and/or anything else of commercial value from a single centralized service company provider. However, adequate planning and implementation time will be required in order to begin the provision of each of the services that WBS will ultimately deliver to the Client Companies. Until then, this Agreement shall govern the services provided by WBS to the Client Companies.

C. WBS and the Client Companies desire to enter into this Agreement whereby WBS agrees to provide, and the Client Companies agree to accept and pay for, various services as described herein, with such payments by the Client Companies being at the fairly and equitably allocated costs as also provided herein.

D. From time to time WBS will perform various services for or on behalf of the Client Companies, and further WBS will make its property, employees and other things of value available to or for use by the Client Companies, all of which transactions are affiliated interest

arrangements subject to the regulatory jurisdiction of the Public Service Commission of Wisconsin ("PSCW") and the Michigan Public Service Commission ("MPSC") (collectively the "Commissions") pursuant to applicable Wisconsin and Michigan law.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

WBS and the Client Companies, in consideration of the mutual promises made in this Agreement, agree as follows:

1.0 Provision of Services by WBS

1.1 The term "services" as used in this Agreement shall include management, supervisory, construction, engineering, accounting, legal, financial, human resources, information services, customer service, accounting, billing, operations and other administrative and general services, including without limitation the provision of any service or any other arrangement which among affiliates may require approvals, waivers or other authorizations under the applicable utility law of the states of Wisconsin and/or Michigan.

1.2 Except as otherwise provided herein or required under applicable law, WBS shall furnish to each Client Company, as may be requested by each such Client Company from time to time, services in those categories listed and described in Exhibit B. WBS shall also furnish to each Client Company services in addition to those listed and described in Exhibit B, as may be requested by each such Client Company from time to time, provided that WBS is reasonably able and willing to perform or provide such services, and further provided that if an additional category of services is requested by one or more Client Companies and is provided by WBS hereunder, the Parties shall comply with the requirements of Section 7.3. In connection with its provision of services hereunder, WBS may

also from time to time provide or furnish property, assets, rights, interests, or other items of commercial value.

1.3 WBS shall furnish to the Client Companies the services described in Section 1.2 in such manner as the Client Companies reasonably require from time to time, unless WBS is not reasonably able to perform or provide such services or is unable to do so in a manner consistent with applicable law.

1.4 The services described herein shall be directly assigned or allocated by activity, project, program, work order or other appropriate manner on a case-by-case basis. Each Client Company may establish and document with WBS its expectations and requirements with respect to any particular service to be rendered hereunder, including the establishment of targeted service and performance levels and measures to determine whether such service level indicators are being achieved. A Client Company shall have the right from time to time to modify any activity, project, program or work order provided that (i) any such modification that results in a material change in the scope of the services to be performed or equipment to be provided is acceptable to WBS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by WBS as a direct result of such modification of the activity, project, program or work order, and (iii) no modification of an activity, project, program or work order shall release a Client Company from liability for payment of all direct or allocable costs already incurred by or contracted for by WBS pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed prior to such modification taking effect.

2.0 Determination of Costs for Services.

- 2.1 All services provided by WBS shall be at cost, as hereinafter defined. It is the intent of the Parties that the payment for services rendered by WBS to the Client Companies hereunder shall cover all of WBS's costs of doing business (less the cost of services provided to affiliates not a party to this Agreement and to non-affiliated companies, and credits for miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, payroll and other taxes, and compensation for use of capital (with a return on WBS's net assets charged to each Client Company at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission having jurisdiction over the rates of that Client Company). The allocation of net assets for the purposes of the return calculation will be based on the percentage of labor charges billed to the Client Companies relative to total WBS labor. The amount will be estimated at the beginning of each calendar year and trued up the following January, with the true up amount included in the billing for January services, except that the first estimate shall not occur until January 2016 and the first true up shall not occur until January 2017.
- 2.2 As compensation to WBS for the services rendered hereunder, each Client Company shall pay to WBS all costs which are reasonably related to the services performed by WBS for or on behalf of such Client Company. WBS shall maintain a detailed cost accumulation and classification system, and shall allocate costs to each Client Company pursuant to the following methodology: (i) to the extent possible and prior to allocating costs pursuant to subsections (ii) and (iii) of this Section 2.2, costs associated with a service that is specifically performed for a

single Client Company will be directly assigned and billed to that Client Company; all costs directly assigned and billed to any entity taking service from WBS shall be deducted from the amount being allocated in subsections (ii) and (iii) of this Section 2.2; (ii) where more than one Client Company receives benefits from a service, such amounts shall be allocated among such Client Companies (and any other affiliates within the WEC holding company system to whom the service is rendered by WBS) pursuant to the applicable cost Allocation Factor(s) set forth in Exhibit C; and (iii) where a service provided by WBS is of a general nature applicable to all Client Companies, costs incurred by WBS with respect to such service shall be allocated among the Client Companies (and any other affiliates within the WEC holding company system to whom applicable services are rendered by WBS) pursuant to the applicable cost Allocation Factor set forth in Exhibit C.

- 2.3 The Allocation Factors set forth in Exhibit C shall be subject to periodic review by WBS in connection with the studies required by Section 4.3, and may be reviewed more frequently if deemed appropriate by WBS. In situations where a Client Company will receive services that are not direct billed but significantly less than the full suite of services represented by the allocation pool, the Allocation Factor in Exhibit C will be adjusted as appropriate for the Client Company commensurate with the level of services anticipated. This adjusted factor will be subject to approval by the management of the Client Company.
- 2.4 The method of assignment or allocation of costs contemplated herein and in Exhibit C and/or the Allocation Factor or Factors assigned to any category of service in Exhibit B, may be modified or changed by WBS, without amendment of this Agreement other than insertion of appropriate replacement Exhibits, provided that (i) all services rendered hereunder shall be at actual cost thereof, (ii) such

costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2, and (iii) the Parties comply with the requirements of Section 7.3. An adjustment to the Allocation Factors in Exhibit C pursuant to Section 2.3 shall not require a replacement exhibit, but WBS will provide a yearly report to the commissions identifying any factors so adjusted.

- 2.5 With respect to any charges imposed by WBS for services provided under this Agreement that are subject to the jurisdiction of the FERC, no Party shall elect, or cause any affiliate to elect on their behalf, to have the FERC review pursuant to Section 1275 of the Energy Policy Act of 2005, 42 U.S.C. § 16462, the allocation of costs for goods and services provided by WBS until the Commissions with jurisdiction to do so have reviewed and taken required actions regarding the affiliated interest transactions and agreements, or amendments thereto, associated with WBS. If the Commissions have not completed review and approval or taken other appropriate action within a reasonable time, then any Party or its affiliate may seek such FERC review after giving the Commissions who have not so acted at least 60 days' prior written notice.

3.0 Billing; Payment; Related Provisions.

- 3.1 WBS shall render a monthly bill to each Client Company reflecting the charges for services and property provided in the preceding month. Each bill shall include sufficient information and in sufficient detail to permit each Client Company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.
- 3.2 Upon receipt of a monthly bill for services rendered by WBS hereunder, each Client Company shall promptly pay any undisputed portion of the bill within ten (10) business days.

3.3 If a Client Company disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform WBS in writing as to its reasons for its dispute. WBS and the Client Company shall then meet to resolve in good faith the dispute, and shall involve the other Client Companies in the resolution of the dispute to the extent necessary and appropriate.

4.0 Accounting and Recordkeeping; Annual FERC Reports; Cost Studies; Annual Client and WBS Company Reports; Internal Audit.

4.1 All accounts and records of WBS shall be kept in accordance with the relevant requirements promulgated by the FERC from time to time, including without limitation Parts 367 and 368 of the FERC's regulations. Without limiting the foregoing, WBS shall maintain adequate books and records with respect to all of its transactions hereunder, and shall record the costs to be allocated to the Client Companies in appropriate accounts in its general ledger system. WBS shall be responsible for maintaining internal controls to ensure the costs associated with all transactions hereunder are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

4.2 WBS shall provide the Commissions and the Client Companies a copy of its FERC Form No. 60, or such other annual report required by the FERC of centralized service companies from time to time, contemporaneous with its annual filing of such report with the FERC.

4.3 At least once every three years, WBS shall conduct a new study of the cost of services provided hereunder, for the purpose of testing compliance with the Agreement and to analyze the market price of services provided. The study shall be updated at least annually. WBS shall provide each Client Company with a

copy of each new study or update, as the case may be, no later than May 1 of the year following the end of the most recently completed fiscal year covered by the new study or update. The first such new study shall pertain to the period ending December 31, 2017, and shall be due on or before May 1, 2018.

4.4 Each year there shall be an internal audit of WBS's transactions involving each of the Client Companies for the purpose of testing compliance with the Agreement. In addition, the audit will include a review of transactions involving other entities to whom WBS provides service as well as the verification that all direct billings to regulated and non-regulated affiliates as well as unaffiliated parties, if applicable, were properly deducted prior to the allocations being calculated. The Client Companies shall submit a copy of the audit report to the person or department designated by the Commissions or the Commissions' staffs no later than July 1 of each year. The first such audit report shall pertain to the period ending December 31, 2016, and shall be due on or before July 1, 2017.

4.5 Each year by May 1, the Client Companies shall file with their respective Commissions, and submit a copy to the person or department designated by the Commissions or the Commissions' staffs, billing reports showing monthly charges by WBS to each of the Client Companies. These reports shall show all costs incurred by WBS and all costs allocated to all entities to whom WBS provides services.

5.0 Representations and Warranties of the Parties.

5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.

- 5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.
- 5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.
- 6.0 Additional Representations, Warranties and Covenants of WBS.
- 6.1 In its performance of services hereunder, WBS: (i) shall follow applicable federal and state regulations, including codes and standards of conduct, with respect to the sharing of confidential information it receives from any Client Company with another; (ii) shall not give one or more Client Companies, or any other affiliate within the WEC holding company system, a competitive advantage in relevant markets; and (iii) shall not subsidize any Client Company and shall not cause any Client Company to subsidize any of its affiliates.
- 6.2 WBS shall make readily available to each Commission, FERC and/or any other governmental or regulatory agency with jurisdiction under applicable law, reasonable access to its books and records (including without limitation the basis for its computation of cost allocations) as may be necessary for each Commission or other agency to review WBS's transactions with each Client Company within such Commission's or agency's jurisdiction. Without limiting the foregoing, each Commission shall have full access to the books and records of

WBS as contemplated under applicable law, which access shall be made readily available to each Commission in their respective states.

7.0 Additional Provisions.

- 7.1 This Agreement shall become effective upon the issuance of approvals or waivers as might be required by law, from each and all of the Commissions, and upon execution of the Agreement by all of the Parties. Once effective, this Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.
- 7.2 This Agreement may be amended or modified at any time by mutual agreement of the Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all Parties hereto. Except as otherwise provided herein or under applicable law, any such modification, amendment or assignment shall not become effective until receipt of approvals or waivers by the Commissions as might be required by law. The addition of a Party to this Agreement, or the termination of this Agreement as to a Party, shall not require the prior approval of the Commissions, but in either case WBS shall provide the Commissions at least sixty (60) days prior written notice of such event.
- 7.3 At least sixty (60) days prior to any change to (i) Exhibit A reflecting the current Parties to this Agreement, (ii) Exhibit B reflecting the services and categories of service provided by WBS hereunder, and/or (iii) Exhibit C reflecting all Allocation Factors in use hereunder, WBS shall provide to the Client Companies, and the Client Companies shall file with the Commissions and, if appropriate, the FERC, a revised version of such Exhibit(s) to be changed along with an indication of what change(s) will be made. This section shall not apply to adjustments to the Allocation Factors pursuant to Section 2.3.

- 7.4 At least sixty (60) days prior to leaving the WEC holding company system, a Client Company shall provide written notice to WBS, and WBS will then copy the other Parties and the Commissions as soon as practicable upon receipt of any such notice. Any such Client Company may continue to receive services from WBS for a reasonable transitional period of time following such departure from the WEC holding company system.
- 7.5 In providing all services, WBS may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of services for the Client Companies hereunder.
- 7.6 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care with which they use to protect their own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.6 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source

has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

- 7.7 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of WBS to one or more of the Client Companies will be for the direct or indirect benefit or common interest of all of the Client Companies, and it is therefore the intention of all Parties hereto to maintain all privileges that may apply to any communications related to the provision or receipt of such legal advice or services.
- 7.8 The Client Companies hereby appoint WBS as agent to represent them in performing services for or on behalf of the Client Companies. The Client Companies also authorize WBS to purchase (i.e., take title to) various commodities, goods and assets in connection with its performance of services hereunder, and to resell (i.e., convey title to) such commodities, goods and assets to the Client Companies if necessary in the course of performing services hereunder. Any resale of such commodities, goods and assets by WBS to the Client Companies, and/or any use of such commodities, goods and assets by WBS in its provision of services hereunder, shall be at the costs incurred by WBS, allocated among the Client Companies pursuant to the methodologies prescribed herein. WBS shall be accountable for all funds advanced or collected on behalf of a Client Company in connection with any transaction in respect of which WBS provides services. The provision of services by WBS hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over WBS or its provision of services hereunder.

- 7.9 In the event that any amendment to this Agreement does not receive any approval or waiver of approval by all Commissions that may be required from time to time, then the Parties shall promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent and effect, and thereafter file for approval or waiver of approval of the Commissions.
- 7.10 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.11 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.12 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.13 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law; provided, however, that no Client Company shall be required to comply with this Agreement to the extent such compliance would be a violation of the public utility laws of any state in which such Client Company conducts its regulated utility operations.

7.14 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized as of the day and year first above written.

WEC BUSINESS SERVICES, LLC

WISCONSIN
COMPANY

ELECTRIC

POWER

By_____

By_____

Name_____

Name_____

Title_____

Title_____

WISCONSIN GAS COMPANY, LLC

By_____

Name_____

Title_____

Exhibit A

Client Company Parties to the Interim WBS Regulated Affiliated Interest Agreement

Wisconsin Electric Power Company

a Wisconsin-incorporated Wisconsin public utility headquartered in Milwaukee, Wisconsin, engaged in the business of providing electric, natural gas and steam service

Wisconsin Gas Company, LLC

a Wisconsin-incorporated Wisconsin public utility headquartered in Milwaukee, Wisconsin, engaged in the business of providing natural gas service

Exhibit B

1. Administrative services

Administrative services represent facility management services for owned and leased facilities and grounds, excluding power plants. This includes operations and maintenance of structures, capital improvements, interior space planning, printing services (including customer bills and inserts), security and janitorial, and acquisition and management of real estate and land rights including easements and right-of-ways.

Allocation Factors – (1) Square Footage; (2) Number of Office Moves; (3) FTE Work Estimate; (4) Number of Employees; (5) Dollars Associated with Number of Imprints; (6) Composite Allocator; (7) Number of Customers.

2. Corporate development

Corporate development refers to strategic planning, merger and acquisition analysis and support, market intelligence, project management, business and quality improvement processes, business development, asset analysis and divestiture, and resource allocation. It also consists of work performed to determine, implement and track corporate performance goals, initiatives and measures.

Allocation Factors – (1) General/Corporate.

3. Corporate secretary

Corporate secretary refers to those services required of a publicly held corporation, including shareholder, board of director and related committee meetings, consents, resolutions, minutes, and records.

Allocation Factors – (1) General/Corporate.

4. Environmental

Environmental refers to the performance of assessments, investigations, remediation and other activities as required to ensure compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management, and emergency response.

Allocation Factors – (1) FTE Work Estimate.

5. Executive management

Executive management services refers to the executive management and oversight activities performed by officers of the company and other senior executives. Such activities involve the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors – (1) General/Corporate.

6. Governmental Relations, Corporate Communications, and Regulatory Processes

Governmental Relations, Corporate Communications, and Regulatory Processes refer to the preparation and dissemination of information to employees, customers, government officials, the public and the media. It also involves administering the company's activities in the areas of governmental relations, community support and economic development, as well as the analysis and formulation of regulatory policy, rate case preparation and rate administration.

Allocation Factors – (1) Total Property, Plant and Equipment; (2) Number of Employees; (3) General/Corporate; (4) Number of Customers.

7. Financial services

Financial services refers to accounting, finance, treasury, tax, internal audit and related financial services. Examples of activities performed within these various financial disciplines includes the following: maintain corporate books and records, prepare financial and statistical reports, process payments to vendors, ensure compliance with tax laws and regulations, manage debt and maintain banking relationships, invest pension assets, establish and monitor internal controls, perform financial and risk analysis, prepare budgets and forecasts, maintain shareholder records, and communicate with the investment community.

Allocation Factors – (1) Number of Invoices Processed; (2) Number of Transactions; (3) Total Property, Plant and Equipment; (4) Number of Employees; (5) FTE Work Estimate; (6) General/Corporate.

8. Human resources

Human resources refers to the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health, safety, and wellness. It also involves providing payroll and employee benefit and workers compensation administration, employee training and development, recruiting and staffing services, employee communications and labor relations management.

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user support, database administration and information systems security. It also includes infrastructure and application architecture services, website and hosting services, and disaster recovery services.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9) Call Volume; (10)

Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

10. Legal services

Legal services refers to the provision of all types of legal advice and related services involving legal services related to corporate and commercial activities, contracts, litigation, regulatory matters, securities, real estate, legislative, employment and benefits, tax, and intellectual property matters. In addition, services are also provided to functional areas responsible for insurance (procurement, management and general advice), claims management, corporate records (policies, procedures and management) and compliance (compliance with laws, ethics and code of conduct).

Allocation Factors – (1) General/Corporate.

11. Supply chain

Supply chain refers to the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Specific activities include material inventory management, contract administration services, warehousing and logistics services and the establishment of inventory standards. The category also encompasses the purchase, oversight, and maintenance of vehicles and related equipment.

Allocation Factors – (1) Total Non-Labor Spend without Fuel and Supply; (2) Number of Fleet Assets; (3) Number of Inventory Transactions; (4) Composite Allocator.

12. Engineering Services

Engineering services refers primarily to engineering support to gas distribution operations. Such support includes designing and monitoring the construction and maintenance of gas distribution lines and ensuring that construction activity is consistent with plans. It also involves coordinating the planning and operation of gas distribution systems, performing operational reviews of completed construction, maintenance work of gas distribution lines and operating meter shops. In addition to these gas services the Engineering group provides geospatial services, locate system support, damage prevention, and contract administration to all Integrys regulated gas and electric affiliates. Engineering services will also provide competitive excellence stewardship support and project management for gas distribution projects.

Allocation Factors – (1) Feet of Installed/Replaced Pipeline; (2) Number of Meters Repaired; (3) FTE Work Estimate; (4) Number of Union Employees.

13. Gas supply

Gas supply refers to administrative functions related to purchasing, marketing and selling natural gas (including hedging and other risk management tools); scheduling, interrupting and curtailing natural gas deliveries; acquiring, selling, releasing and managing pipeline transportation capacity or storage capacity; gas control operations (including measurement of

gas quality and gas control compliance); and operating utility-owned underground gas storage fields. This function excludes all functions that are not ministerial in nature and excludes contract ownership, as each Client Company will continue to hold gas supply and capacity contracts in its own name.

Allocation Factors – (1) Gas Throughput; (2) Peak Day Capacity; (3) FTE Work Estimate.

14. Customer relations

Customer relations refers to the provision of services and systems dedicated to customer service, including meter reading and billing, credit, collections, customer relations, call center operations, revenue assurance, account management, market research and customer strategy. It also includes customer relations planning and compliance, customer contact services (including customer assistance), and managing customer relations subcontractors.

Allocation Factors – (1) Number of Customers; (2) Number of Transportation Customers.

15. Project Services

Project services refers to provide project management functions throughout the project life cycle from problem definition and concept development to project execution and performance validation. Offerings to affiliates include participation in business planning, Project Support Office services, problem solving and concept development, business case development, competitive excellence process improvement services, portfolio management, project management, and Dam safety program management.

Allocation Factors – (1) Hydro MW Distribution; (2) FTE work estimate; (3) Specific Project Assignment.

Exhibit C

Costs will be allocated through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial manner.

First and foremost, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a “100% allocation” of costs related to a particular service to the one entity receiving that service.

Second, where direct charging is not appropriate, costs will be allocated using cost causation principles that link costs related to a specific type of service to the customers receiving such service.

All other cost allocations will be broad based with a generalized cost basis proxy.

Specific Allocation Factors:

Number of Customers – Based on the average number of customers (electric and/or gas) over the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Union Employees - Based on the average number of union employees over the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Meters – Based on the average number of meters (electric and/or gas) in place during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Invoices Processed – Based on the average number of invoices processed during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client

Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Personal Computers – Based on the number of personal computers at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Phone Lines – Based on the number of phone lines at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Mainframe CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for mainframe storage for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Clicks – Based on the average number of clicks on the website page during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Devices – Based on the number of devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Mobile Data Devices – Based on the number of mobile data devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of

which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Radios – Based on the number of radios at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Office Moves – Based on the average number of office moves for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Non-Labor Spend without Fuel and Supply – Based on the average non-labor spend excluding fuel and supply during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment balances during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Call Volume – Based on average call volume during the most recent calendar year at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of

which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Specific Project Assignment - This indicates that Project Services is allowed to use any one of the existing allocation factors in this Exhibit C, such that costs associated with Project Services are allocated based on the nature of the project they are supporting.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for an WBS functional service as defined in Exhibit B - Based on the total O&M billings for the most recent 12 months at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service). This ratio will be determined annually and/or such time as may be required due to significant change in circumstance.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Gas Throughput – Based on gas throughput in dekatherms (sales and transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Feet of Installed/Replaced Pipeline – Based on average number of feet installed/replaced for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client

Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Inventory Transactions– Based on the number of inventory transactions for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Fleet Assets – Based on the average number of fleet assets during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Hydro MW Distribution – Based on the percentage per hydro region of rated generation in megawatts (MW), the numerator of which is for an individual hydro region and the denominator of which is for all hydro regions. This ratio will be revised annually at budget time if there are additions or deletions of hydro units, or changes in ownership percentages of existing hydro units, within the hydro regions.

Number of Meters Repaired – Based on the average number of meters repaired for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Peak Day Capacity (gas) – Based on the highest daily send out in therms (excluding transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transportation Customers – Based on the average number of transportation customers for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

~~MASTER~~INTERIM WBS REGULATED AFFILIATED INTEREST AGREEMENT

THIS ~~MASTER~~INTERIM WBS REGULATED AFFILIATED INTEREST AGREEMENT ("Agreement") is entered into this ____ day of _____, ~~2007~~,2015, by and among ~~Integrys~~WEC Business ~~Support~~Services, LLC, a Delaware limited liability company ("~~Integrys Support~~") and ~~all of the regulated subsidiaries of Integrys Energy Group, Inc. ("~~Integrys~~") as listed and defined on Exhibit AWBS~~", Wisconsin Electric Power Company ("~~WEPCo~~", a Wisconsin company, and Wisconsin Gas Company, LLC ("~~WGC~~", a Wisconsin limited liability company. All of the parties to this Agreement shall be collectively referred to as "Parties," and ~~all of the Parties other than Integrys Support~~WEC and WGC shall be collectively referred to as the "Client Companies."

RECITALS

A. Each of the Client Companies is a state-regulated utility operating company, a wholly-owned subsidiary of ~~Integrys~~WEC Energy Group, Inc. ("WEC"), and an affiliated interest of the other Parties pursuant to the applicable public utility law of Wisconsin, ~~and~~ Michigan, ~~Minnesota, and Illinois.~~

B. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate their regulated utility businesses with the integration of certain activities by receiving services, employees, properties, information systems, property, services and/or anything else of commercial value from a single centralized service company provider. However, adequate planning and implementation time will be required in order to begin the provision of each of the services that WBS will ultimately deliver to the Client Companies. Until then, this Agreement shall govern the services provided by WBS to the Client Companies.

C. ~~Integrys Support~~WBS and the Client Companies desire to enter into this Agreement whereby ~~Integrys Support~~WBS agrees to provide, and the Client Companies agree

to accept and pay for, various services as described herein, with such payments by the Client Companies being at the fairly and equitably allocated costs as also provided herein.

D. From time to time ~~Integrys-Support~~WBS will perform various services for or on behalf of the Client Companies, and further ~~Integrys-Support~~WBS will make its property, employees and other things of value available to or for use by the Client Companies, all of which transactions are affiliated interest arrangements subject to the regulatory jurisdiction of the Public Service Commission of Wisconsin ("PSCW"), and the Michigan Public Service Commission ("MPSC"), ~~Minnesota Public Utilities Commission ("MPUC"), and Illinois Commerce Commission ("ICC")~~ (collectively the "Commissions") pursuant to applicable Wisconsin, and Michigan, ~~Minnesota, and Illinois~~ law.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

~~Integrys-Support~~WBS and the Client Companies, in consideration of the mutual promises made in this Agreement, agree as follows:

1.0 Provision of Services by ~~Integrys-Support~~WBS

1.1 The term "services" as used in this Agreement shall include management, supervisory, construction, engineering, accounting, legal, financial, human resources, information services, customer service, accounting, billing, operations and other administrative and general services, including without limitation the provision of any service or any other arrangement which among affiliates may require approvals, waivers or other authorizations under the applicable utility law of the states of Wisconsin, and/or Michigan, ~~Minnesota and/or Illinois~~.

1.2 Except as otherwise provided herein or required under applicable law, ~~Integrys-Support~~WBS shall furnish to each Client Company, as may be requested by each such Client Company from time to time, services in those categories listed

and described in Exhibit B. ~~Integrys-Support~~WBS shall also furnish to each Client Company services in addition to those listed and described in Exhibit B, as may be requested by each such Client Company from time to time, provided that ~~Integrys-Support~~WBS is reasonably able and willing to perform or provide such services, and further provided that if an additional category of services is requested by one or more Client Companies and is provided by ~~Integrys-Support~~WBS hereunder, the Parties shall comply with the requirements of Section 7.3. In connection with its provision of services hereunder, ~~Integrys-Support~~WBS may also from time to time provide or furnish property, assets, rights, interests, or other items of commercial value.

- 1.3 ~~Integrys-Support~~WBS shall furnish to the Client Companies the services described in Section 1.2 in such manner as the Client Companies reasonably require from time to time, unless ~~Integrys-Support~~WBS is not reasonably able to perform or provide such services or is unable to do so in a manner consistent with applicable law.
- 1.4 ~~Notwithstanding any other provision of this Agreement, a Client Company shall, upon at least one hundred twenty (120) days prior written notice, have the right to purchase the services described in Section 1.2 from a service provider other than Integrys-Support if: (i) such third party service provider offers comparable services, (ii) the Client Company presents comparable internal and external costing and service data to demonstrate to Integrys-Support that the third party services would be provided at a lower all-in price than the all-in price charged by Integrys-Support for such services, and (iii) the Client Company presents comparable internal and external costing and service data to demonstrate to Integrys-Support that provision of the services by a third party service provider~~

~~will be of overall benefit to the Integrys holding company system. With respect to any such showing by a Client Company, all relevant information that is provided by any Client Company to Integrys Support shall be copied to all of the other Client Companies.~~

- ~~1.5 In the event that any Client Company appropriately refuses to take or accept any services from Integrys Support pursuant to Section 1.4, such refusal shall not otherwise affect any other right, duty or obligation of any Party hereunder.~~ 1.6

The services described herein shall be directly assigned or allocated by activity, project, program, work order or other appropriate manner on a case-by-case basis. Each Client Company may establish and document with ~~Integrys Support~~WBS its expectations and requirements with respect to any particular service to be rendered hereunder, including the establishment of targeted service and performance levels and measures to determine whether such service level indicators are being achieved. A Client Company shall have the right from time to time to modify any activity, project, program or work order provided that (i) any such modification that results in a material change in the scope of the services to be performed or equipment to be provided is acceptable to ~~Integrys Support~~WBS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by ~~Integrys Support~~WBS as a direct result of such modification of the activity, project, program or work order, and (iii) no modification of an activity, project, program or work order shall release a Client Company from liability for payment of all direct or allocable costs already incurred by or contracted for by ~~Integrys Support~~WBS pursuant to the activity, project, program or work order, regardless of whether

the services associated with such costs have been completed prior to such modification taking effect.

2.0 Determination of Costs for Services.

- 2.1 All services provided by ~~Integrys-Support~~WBS shall be at cost, as hereinafter defined. It is the intent of the Parties that the payment for services rendered by ~~Integrys-Support~~WBS to the Client Companies hereunder shall cover all of ~~Integrys-Support~~WBS's costs of doing business (less the cost of services provided to affiliates not a party to this Agreement and to non-affiliated companies, and credits for miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, payroll and other taxes, and compensation for use of capital (with a return on ~~Integrys-Support~~WBS's net assets charged to each Client Company at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission having jurisdiction over the rates of that Client Company). The allocation of net assets for the purposes of the return calculation will be based on the percentage of labor charges billed to the Client Companies relative to total WBS labor. The amount will be estimated at the beginning of each calendar year and trued up the following January, with the true up amount included in the billing for January services, except that the first estimate shall not occur until January 2016 and the first true up shall not occur until January 2017.
- 2.2 As compensation to ~~Integrys-Support~~WBS for the services rendered hereunder, each Client Company shall pay to ~~Integrys-Support~~WBS all costs which are

reasonably related to the services performed by ~~Integrys-Support~~WBS for or on behalf of such Client Company. ~~Integrys-Support~~WBS shall maintain a detailed cost accumulation and classification system, and shall allocate costs to each Client Company pursuant to the following methodology: (i) to the extent possible and prior to allocating costs pursuant to subsections (ii) and (iii) of this Section 2.2, costs associated with a service that is specifically performed for a single Client Company will be directly assigned and billed to that Client Company; all costs directly assigned and billed to any entity taking service from ~~Integrys-Support~~WBS shall be deducted from the amount being allocated in subsections (ii) and (iii) of this Section 2.2; (ii) where more than one Client Company receives benefits from a service, such amounts shall be allocated among such Client Companies (and any other affiliates within the ~~Integrys~~WEC holding company system to whom the service is rendered by ~~Integrys-Support~~WBS) pursuant to the applicable cost Allocation Factor(s) set forth in Exhibit C; and (iii) where a service provided by ~~Integrys-Support~~WBS is of a general nature applicable to all Client Companies, costs incurred by ~~Integrys-Support~~WBS with respect to such service shall be allocated among the Client Companies (and any other affiliates within the ~~Integrys~~WEC holding company system to whom applicable services are rendered by ~~Integrys-Support~~WBS) pursuant to the applicable cost Allocation Factor set forth in Exhibit C.

- 2.3 The Allocation Factors set forth in Exhibit C shall be subject to periodic review by ~~Integrys-Support~~WBS in connection with the studies required by Section 4.3, and may be reviewed more frequently if deemed appropriate by ~~Integrys-Support~~WBS. In situations where a Client Company will receive services that are not direct billed but significantly less than the full suite of services

represented by the allocation pool, the Allocation Factor in Exhibit C will be adjusted as appropriate for the Client Company commensurate with the level of services anticipated. This adjusted factor will be subject to approval by the management of the Client Company.

- 2.4 The method of assignment or allocation of costs contemplated herein and in Exhibit C and/or the Allocation Factor or Factors assigned to any category of service in Exhibit B, may be modified or changed by ~~Integrys-Support~~WBS, without amendment of this Agreement other than insertion of appropriate replacement Exhibits, provided that (i) all services rendered hereunder shall be at actual cost thereof, (ii) such costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2, and (iii) the Parties comply with the requirements of Section ~~7.3~~7.3 An adjustment to the Allocation Factors in Exhibit C pursuant to Section 2.3 shall not require a replacement exhibit, but WBS will provide a yearly report to the commissions identifying any factors so adjusted.
- 2.5 With respect to any charges imposed by ~~Integrys-Support~~WBS for services provided under this Agreement that are subject to the jurisdiction of the FERC, no Party shall elect, or cause any affiliate to elect on their behalf, to have the FERC review pursuant to Section 1275 of the Energy Policy Act of 2005, 42 U.S.C. § 16462, the allocation of costs for goods and services provided by ~~Integrys-Support~~WBS until the Commissions with jurisdiction to do so have reviewed and taken required actions regarding the affiliated interest transactions and agreements, or amendments thereto, associated with ~~Integrys-Support~~WBS. If the Commissions have not completed review and approval or taken other appropriate action within a reasonable time, then any Party or its affiliate may

seek such FERC review after giving the Commissions who have not so acted at least 60 days' prior written notice.

3.0 Billing; Payment; Related Provisions.

3.1 ~~Integrys-Support~~WBS shall render a monthly bill to each Client Company reflecting the charges for services and property provided in the preceding month. Each bill shall include sufficient information and in sufficient detail to permit each Client Company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.

3.2 Upon receipt of a monthly bill for services rendered by ~~Integrys-Support~~WBS hereunder, each Client Company shall promptly pay any undisputed portion of the bill within ten (10) business days.

3.3 If a Client Company disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform ~~Integrys-Support~~WBS in writing as to its reasons for its dispute. ~~Integrys-Support~~WBS and the Client Company shall then meet to resolve in good faith the dispute, and shall involve the other Client Companies in the resolution of the dispute to the extent necessary and appropriate.

4.0 Accounting and Recordkeeping; Annual FERC Reports; Cost Studies; Annual Client and ~~Integrys-Support~~WBS Company Reports; Internal Audit.

4.1 All accounts and records of ~~Integrys-Support~~WBS shall be kept in accordance with the relevant requirements promulgated by the FERC from time to time, including without limitation Parts 367 and 368 of the FERC's regulations. Without limiting the foregoing, ~~Integrys-Support~~WBS shall maintain adequate books and records with respect to all of its transactions hereunder, and shall

record the costs to be allocated to the Client Companies in appropriate accounts in its general ledger system. ~~Integrys Support~~WBS shall be responsible for maintaining internal controls to ensure the costs associated with all transactions hereunder are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

4.2 ~~Integrys Support~~WBS shall provide the Commissions and the Client Companies a copy of its FERC Form No. 60, or such other annual report required by the FERC of centralized service companies from time to time, contemporaneous with its annual filing of such report with the FERC. ~~Integrys Support shall also file with the Commissions, contemporaneous with its annual filing of such report with the FERC, the following schedules. These schedules shall list all costs incurred by Integrys Support and all costs allocated to all entities to whom Integrys Support provides or provided services. In Illinois, these schedules shall be filed as supplemental schedules to Form 21.~~

- ~~a) A schedule summarizing the direct and indirect charges for each functional area in Exhibit B. The report shall present the dollar amounts and percentages charged to each party to this Agreement as listed in Exhibit A, as well as to all other entities that receive direct or indirect charges from Integrys Support for such functional areas.~~
- ~~b) A schedule providing a breakdown by subaccount of Account 923, Outside Services Employed. The schedule shall aggregate amounts paid to any one payee in each subaccount. If one subaccount is less than \$100,000, only the aggregate number and amount of all such payments included within the subaccount shall be shown. The schedule shall include subtotals for each type of service.~~
- ~~c) A schedule providing a listing of each pension and benefit program provided by Integrys Support. Such listing shall be limited to amounts over \$100,000.~~
- ~~d) A schedule providing a listing of the amount included in Account 930.1, General Advertising Expenses, classifying the items according to the nature of the advertising and as defined in the account definition. If a particular class includes an amount in excess of \$100,000 applicable to a single payee, show separately the name of the payee and the aggregate amount applicable thereto.~~

- e) ~~A schedule providing a listing of the amount included in Account 931, Rents, classifying such expenses by major groupings of property, as defined in the account definition of the Uniform System of Accounts in Part 367 of the FERC's regulations.~~
- f) ~~A schedule providing an analysis of Account 408, Taxes Other Than Income. The report shall separate the analysis into two groups (1) other than U.S. Government taxes and (2) U.S. Government taxes. The report shall specify each of the various kinds of taxes and show the accounts thereof. A subtotal shall be provided for each class of tax.~~
- g) ~~A schedule providing a listing of the amount included in Account 426.1, Donations, classifying such expense by its purpose. The aggregate number and amount of all items of less than \$100,000 may be shown in lieu of details.~~
- h) ~~A schedule providing a listing of the amount included in Account 426.5, Other Deductions, classifying such expenses according to their nature.~~

4.3 At least once every three years, ~~Integrys Support~~WBS shall conduct a new study of the cost of services provided hereunder, for the purpose of testing compliance with the Agreement and to analyze the market price of services provided. The study shall be updated at least annually. ~~Integrys Support~~WBS shall provide each Client Company with a copy of each new study or update, as the case may be, no later than May 1 of the year following the end of the most recently completed fiscal year covered by the new study or update. The first such new study shall pertain to the period ending December 31, ~~2008~~,2017, and shall be due on or before May 1, ~~2009~~.2018.

4.4 Each year there shall be an internal audit of ~~Integrys Support~~WBS's transactions involving each of the Client Companies for the purpose of testing compliance with the Agreement. In addition, the audit will include a review of transactions involving other entities to whom ~~Integrys Support~~WBS provides service as well as the verification that all direct billings to regulated and non-regulated affiliates as well as unaffiliated parties, if applicable, were properly deducted prior to the allocations being calculated. The Client Companies shall submit a copy of the

audit report to the person or department designated by the Commissions or the Commissions' staffs no later than July 1 of each year. ~~In Illinois, the report shall be submitted to the ICC's Manager of the Accounting Department or any successor.~~ The first such audit report shall pertain to the period ending December 31, ~~2008~~, 2016, and shall be due on or before July 1, ~~2009~~, 2017.

- 4.5 Each year by May 1, the Client Companies shall file with their respective Commissions, and submit a copy to the person or department designated by the Commissions or the Commissions' staffs, billing reports showing monthly charges by ~~Integrus Support~~ WBS to each of the Client Companies. These reports shall show all costs incurred by ~~Integrus Support~~ WBS and all costs allocated to all entities to whom ~~Integrus Support~~ WBS provides services. ~~In Illinois, the report shall be submitted to the ICC's Manager of the Accounting Department or any successor.~~

5.0 Representations and Warranties of the Parties.

- 5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.
- 5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.
- 5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that

each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

6.0 Additional Representations, Warranties and Covenants of ~~Integrys-Support~~WBS.

6.1 In its performance of services hereunder, ~~Integrys-Support~~WBS: (i) shall follow applicable federal and state regulations, including codes and standards of conduct, with respect to the sharing of confidential information it receives from any Client Company with another; (ii) shall not give one or more Client Companies, or any other affiliate within the ~~Integrys~~WEC holding company system, a competitive advantage in relevant markets; and (iii) shall not subsidize any Client Company and shall not cause any Client Company to subsidize any of its affiliates.

6.2 ~~Integrys-Support~~WBS shall make readily available to each Commission, FERC and/or any other governmental or regulatory agency with jurisdiction under applicable law, reasonable access to its books and records (including without limitation the basis for its computation of cost allocations) as may be necessary for each Commission or other agency to review ~~Integrys-Support~~WBS's transactions with each Client Company within such Commission's or agency's jurisdiction. Without limiting the foregoing, each Commission shall have full access to the books and records of ~~Integrys-Support~~WBS as contemplated under applicable law, which access shall be made readily available to each Commission in their respective states.

7.0 Additional Provisions.

7.1 This Agreement shall become effective upon the issuance of approvals or waivers as might be required by law, from each and all of the Commissions, and upon execution of the Agreement by all of the Parties. Once effective, this

Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.

- 7.2 This Agreement may be amended or modified at any time by mutual agreement of the Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all Parties hereto. Except as otherwise provided herein or under applicable law, any such modification, amendment or assignment shall not become effective until receipt of approvals or waivers by the Commissions as might be required by law. The addition of a Party to this Agreement, or the termination of this Agreement as to a Party, shall not require the prior approval of the Commissions, but in either case ~~Integrys-Support~~WBS shall provide the Commissions at least sixty (60) days prior written notice of such event.
- 7.3 At least sixty (60) days prior to any change to (i) Exhibit A reflecting the current Parties to this Agreement, (ii) Exhibit B reflecting the services and categories of service provided by ~~Integrys-Support~~WBS hereunder, and/or (iii) Exhibit C reflecting all Allocation Factors in use hereunder, ~~Integrys-Support~~WBS shall provide to the Client Companies, and the Client Companies shall file with the Commissions and, if appropriate, the FERC, a revised version of such Exhibit(s) to be changed along with an indication of what change(s) will be made. [This section shall not apply to adjustments to the Allocation Factors pursuant to Section 2.3.](#)
- 7.4 At least sixty (60) days prior to leaving the ~~Integrys~~WEC holding company system, a Client Company shall provide written notice to ~~Integrys-Support~~WBS, and ~~Integrys-Support~~WBS will then copy the other Parties and the Commissions as soon as practicable upon receipt of any such notice. Any such Client

Company may continue to receive services from ~~Integrys Support~~WBS for a reasonable transitional period of time following such departure from the ~~Integrys~~WEC holding company system.

- 7.5 In providing all services, ~~Integrys Support~~WBS may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of services for the Client Companies hereunder.
- 7.6 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care with which they use to protect their own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.6 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source

has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

7.7 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of ~~Integrus-Support~~WBS to one or more of the Client Companies will be for the direct or indirect benefit or common interest of all of the Client Companies, and it is therefore the intention of all Parties hereto to maintain all privileges that may apply to any communications related to the provision or receipt of such legal advice or services.

7.8 The Client Companies hereby appoint ~~Integrus-Support~~WBS as agent to represent them in performing services for or on behalf of the Client Companies. The Client Companies also authorize ~~Integrus-Support~~WBS to purchase (i.e., take title to) various commodities, goods and assets in connection with its performance of services hereunder, and to resell (i.e., convey title to) such commodities, goods and assets to the Client Companies if necessary in the course of performing services hereunder. Any resale of such commodities, goods and assets by ~~Integrus-Support~~WBS to the Client Companies, and/or any use of such commodities, goods and assets by ~~Integrus-Support~~WBS in its provision of services hereunder, shall be at the costs incurred by ~~Integrus-Support~~WBS, allocated among the Client Companies pursuant to the methodologies prescribed herein. ~~Integrus-Support~~WBS shall be accountable for all funds advanced or collected on behalf of a Client Company in connection with any transaction in respect of which ~~Integrus-Support~~WBS provides services. The provision of services by ~~Integrus-Support~~WBS hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations

contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over ~~Integrus Support~~WBS or its provision of services hereunder.

- 7.9 In the event that any amendment to this Agreement does not receive any approval or waiver of approval by all Commissions that may be required from time to time, then the Parties shall promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent and effect, and thereafter file for approval or waiver of approval of the Commissions.
- 7.10 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.11 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.12 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.13 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law; provided, however, that no Client Company shall be required to comply with this

Agreement to the extent such compliance would be a violation of the public utility laws of any state in which such Client Company conducts its regulated utility operations.

7.14 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized as of the day and year first above written.

~~INTEGRYS~~WEC BUSINESS ~~SUPPORT~~SERVICES, LLC WISCONSIN ~~PUBLIC~~
SERVICE
CORPORATION

By _____ By _____

Name _____ Name _____

Title _____ Title _____

~~UPPER PENINSULA~~ELECTRIC POWER
COMPANY ~~MICHIGAN~~ ~~GAS~~
UTILITIES
- CORPORATION

By _____ ~~By~~ _____

~~Name~~ By _____

Name _____ Name _____

Title _____ Title _____

~~MINNESOTA ENERGY RESOURCES~~
~~CORPORATION~~

~~THE PEOPLES GAS LIGHT AND COKE~~

WISCONSIN GAS COMPANY

By _____ ~~By~~ _____

Name _____ Name _____

~~Title~~ _____ ~~Title~~ _____

, LLC

~~NORTH SHORE GAS COMPANY~~

By

=

Name

=

Title

=

~~By~~ _____

~~Name~~ _____

~~Title~~ _____

Exhibit A

Client Company Parties to the ~~Master~~Interim WBS Regulated Affiliated Interest Agreement

~~Michigan Gas Utilities Corporation~~

~~a Delaware-incorporated Michigan public utility headquartered in Green Bay, Wisconsin,
engaged in the business of providing natural gas service~~

~~Minnesota Energy Resources Corporation~~

~~a Delaware-incorporated Minnesota public utility headquartered in Green Bay,
Wisconsin, engaged in the business of providing natural gas service~~

~~North Shore Gas Company~~

~~an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the
business of providing natural gas service~~

~~The Peoples Gas Light and Coke Company~~

~~an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the
business of providing natural gas service~~

~~Upper Peninsula~~ Wisconsin Electric Power Company

a ~~Michigan~~Wisconsin-incorporated Wisconsin public utility ~~corporation~~ headquartered in
~~Houghton, Michigan~~Milwaukee, Wisconsin, engaged in the business of providing
~~regulated~~electric, natural gas and steam service

Wisconsin ~~Public Service Corporation~~Gas Company, LLC

a Wisconsin-~~incorporated~~ Wisconsin public utility ~~corporation~~ headquartered in ~~Green
Bay~~Milwaukee, Wisconsin, engaged in the business of providing ~~regulated electric and~~
natural gas service

Exhibit B

1. Administrative services

Administrative services represent facility management services for owned and leased facilities and grounds, excluding power plants. This includes operations and maintenance of structures, capital improvements, interior space planning, printing services (including customer bills and inserts), security and janitorial, and acquisition and management of real estate and land rights including easements and right-of-ways.

Allocation Factors – (1) Square Footage; (2) Number of Office Moves; (3) FTE Work Estimate; (4) Number of Employees; (5) Dollars Associated with Number of Imprints; (6) Composite Allocator; (7) Number of Customers.

2. Corporate development

Corporate development refers to strategic planning, merger and acquisition analysis and support, market intelligence, project management, business and quality improvement processes, business development, asset analysis and divestiture, and resource allocation. It also consists of work performed to determine, implement and track corporate performance goals, initiatives and measures.

Allocation Factors – (1) General/Corporate.

3. Corporate secretary

Corporate secretary refers to those services required of a publicly held corporation, including shareholder, board of director and related committee meetings, consents, resolutions, minutes, and records.

Allocation Factors – (1) General/Corporate.

4. Environmental

Environmental refers to the performance of assessments, investigations, remediation and other activities as required to ensure compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management, and emergency response.

Allocation Factors – (1) FTE Work Estimate.

5. Executive management

Executive management services refers to the executive management and oversight activities performed by officers of the company and other senior executives. Such activities involve

the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors – (1) General/Corporate.

6. Governmental Relations, Corporate Communications, and Regulatory Processes

Governmental Relations, Corporate Communications, and Regulatory Processes refer to the preparation and dissemination of information to employees, customers, government officials, the public and the media. It also involves administering the company's activities in the areas of governmental relations, community support and economic development, as well as the analysis and formulation of regulatory policy, rate case preparation and rate administration.

Allocation Factors – (1) Total Property, Plant and Equipment; (2) Number of Employees; (3) General/Corporate; (4) Number of Customers.

7. Financial services

Financial services refers to accounting, finance, treasury, tax, internal audit and related financial services. Examples of activities performed within these various financial disciplines includes the following: maintain corporate books and records, prepare financial and statistical reports, process payments to vendors, ensure compliance with tax laws and regulations, manage debt and maintain banking relationships, invest pension assets, establish and monitor internal controls, perform financial and risk analysis, prepare budgets and forecasts, maintain shareholder records, and communicate with the investment community.

Allocation Factors – (1) Number of Invoices Processed; (2) Number of Transactions; (3) Total Property, Plant and Equipment; (4) Number of Employees; (5) FTE Work Estimate; (6) General/Corporate.

8. Human resources

Human resources refers to the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health, safety, and wellness. It also involves providing payroll and employee benefit and workers compensation administration, employee training and development, recruiting and staffing services, employee communications and labor relations management.

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user support, database administration and information systems security. It also includes infrastructure and application architecture services, website and hosting services, and disaster recovery services.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9) Call Volume; (10) Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

10. Legal services

Legal services refers to the provision of all types of legal advice and related services involving legal services related to corporate and commercial activities, contracts, litigation, regulatory matters, securities, real estate, legislative, employment and benefits, tax, and intellectual property matters. In addition, services are also provided to functional areas responsible for insurance (procurement, management and general advice), claims management, corporate records (policies, procedures and management) and compliance (compliance with laws, ethics and code of conduct).

Allocation Factors – (1) General/Corporate.

11. Supply chain

Supply chain refers to the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Specific activities include material inventory management, contract administration services, warehousing and logistics services and the establishment of inventory standards. The category also encompasses the purchase, oversight, and maintenance of vehicles and related equipment.

Allocation Factors – (1) Total Non-Labor Spend without Fuel and Supply; (2) Number of Fleet Assets; (3) Number of Inventory Transactions; (4) Composite Allocator.

12. Engineering Services

Engineering services refers primarily to engineering support to gas distribution operations. Such support includes designing and monitoring the construction and maintenance of gas distribution lines and ensuring that construction activity is consistent with plans. It also involves coordinating the planning and operation of gas distribution systems, performing operational reviews of completed construction, maintenance work of gas distribution lines and operating meter shops. In addition to these gas services the Engineering group provides geospatial services, locate system support, damage prevention, and contract administration to all Integrys regulated gas and electric affiliates. Engineering services will also provide competitive excellence stewardship support and project management for gas distribution projects.

Allocation Factors – (1) Feet of Installed/Replaced Pipeline; (2) Number of Meters Repaired; (3) FTE Work Estimate; (4) Number of Union Employees.

13. Gas supply

Gas supply refers to administrative functions related to purchasing, marketing and selling natural gas (including hedging and other risk management tools); scheduling, interrupting and curtailing natural gas deliveries; acquiring, selling, releasing and managing pipeline transportation capacity or storage capacity; gas control operations (including measurement of gas quality and gas control compliance); and operating utility-owned underground gas storage fields. This function excludes all functions that are not ministerial in nature and excludes contract ownership, as each Client Company will continue to hold gas supply and capacity contracts in its own name.

Allocation Factors – (1) Gas Throughput; (2) Peak Day Capacity; (3) FTE Work Estimate.

14. Customer relations

Customer relations refers to the provision of services and systems dedicated to customer service, including meter reading and billing, credit, collections, customer relations, call center operations, revenue assurance, account management, market research and customer strategy. It also includes customer relations planning and compliance, customer contact services (including customer assistance), and managing customer relations subcontractors.

Allocation Factors – (1) Number of Customers; (2) Number of Transportation Customers.

15. Project Services

Project services refers to provide project management functions throughout the project life cycle from problem definition and concept development to project execution and performance validation. Offerings to affiliates include participation in business planning, Project Support Office services, problem solving and concept development, business case development, competitive excellence process improvement services, portfolio management, project management, and Dam safety program management.

Allocation Factors – (1) Hydro MW Distribution; (2) FTE work estimate; (3) Specific Project Assignment.

Exhibit C

Costs will be allocated through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial manner.

First and foremost, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a “100% allocation” of costs related to a particular service to the one entity receiving that service.

Second, where direct charging is not appropriate, costs will be allocated using cost causation principles that link costs related to a specific type of service to the customers receiving such service.

All other cost allocations will be broad based with a generalized cost basis proxy.

Specific Allocation Factors:

Number of Customers – Based on the average number of customers (electric and/or gas) over the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Union Employees - Based on the average number of union employees over the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Meters – Based on the average number of meters (electric and/or gas) in place during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Invoices Processed – Based on the average number of invoices processed during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Personal Computers – Based on the number of personal computers at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Phone Lines – Based on the number of phone lines at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Mainframe CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for mainframe storage for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Clicks – Based on the average number of clicks on the website page during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Devices – Based on the number of devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all

Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Mobile Data Devices – Based on the number of mobile data devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Radios – Based on the number of radios at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Office Moves – Based on the average number of office moves for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Non-Labor Spend without Fuel and Supply – Based on the average non-labor spend excluding fuel and supply during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment balances during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the

service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Call Volume – Based on average call volume during the most recent calendar year at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Specific Project Assignment - This indicates that Project Services is allowed to use any one of the existing allocation factors in this Exhibit C, such that costs associated with Project Services are allocated based on the nature of the project they are supporting.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for an ~~IBS~~WBS functional service as defined in Exhibit B - Based on the total O&M billings for the most recent 12 months at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service). This ratio will be determined annually and/or such time as may be required due to significant change in circumstance.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Gas Throughput – Based on gas throughput in dekatherms (sales and transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client

Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Feet of Installed/Replaced Pipeline – Based on average number of feet installed/replaced for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Inventory Transactions– Based on the number of inventory transactions for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Fleet Assets – Based on the average number of fleet assets during the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Hydro MW Distribution – Based on the percentage per hydro region of rated generation in megawatts (MW), the numerator of which is for an individual hydro region and the denominator of which is for all hydro regions. This ratio will be revised annually at budget time if there are additions or deletions of hydro units, or changes in ownership percentages of existing hydro units, within the hydro regions.

Number of Meters Repaired – Based on the average number of meters repaired for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Peak Day Capacity (gas) – Based on the highest daily send out in therms (excluding transportation) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transportation Customers – Based on the average number of transportation customers for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

INTERIM WBS NON-REGULATED AFFILIATED INTEREST AGREEMENT

THIS INTERIM WBS NON-REGULATED AFFILIATED INTEREST AGREEMENT (“Agreement”) is entered into this ____ day of _____, 2015, by and among WEC Business Services, LLC, a Delaware limited liability company (“WBS”); WEC Energy Group, Inc., a Wisconsin corporation and a public utility holding company headquartered in Milwaukee, Wisconsin (“WEC”), and all of WEC’s non-regulated subsidiaries as listed in Exhibit A. All of the parties to this agreement shall be collectively referred to as “Parties,” and all of the Parties other than WBS shall be collectively referred to as the “Client Companies.”

RECITALS

A. Each Client Company is a subsidiary of WEC that does not provide state-regulated utility service to captive customers, and is not otherwise a “public-utility company” as that term is defined at 42 U.S.C. § 16451(14) and as such definition is construed by the Federal Energy Regulatory Commission (“FERC”) in its regulations and orders.

B. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing and receiving services, employees, properties, information systems, property, services and/or anything else of commercial value, all from a single centralized service provider. However, adequate planning and implementation time will be required in order to begin the provision of each of the services that WBS will ultimately deliver to the Client Companies. Until then, this Agreement shall govern the services provided by WBS to the Client Companies.

C. WBS and the Client Companies desire to enter into this Agreement whereby WBS agrees to provide, and the Client Companies agree to accept and pay for, various services as described herein, with such payments by the Client Companies being at the fairly and equitably allocated costs as also provided herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

WBS, WEC and the other Parties, in consideration of the mutual promises made in this Agreement, agree as follows:

1.0 Provision of Services by WBS

- 1.1 The term “services” as used in this Agreement shall include management, supervisory, construction, engineering, accounting, legal, financial, human resources, information services, customer service, accounting, billing, operations and other administrative and general services.
- 1.2 Except as otherwise provided herein or required under applicable law, WBS shall furnish to each Client Company, as may be requested by each such Client Company from time to time, services in those categories listed and described in Exhibit B. WBS shall also furnish to each Client Company services in addition to those listed and described in Exhibit B, as may be requested by each such Client Company from time to time, provided that WBS is reasonably able and willing to perform or provide such additional services, and provided further that Exhibit B is modified from time to time in order to reflect any additional categories of services provided by WBS. In connection with its provision of services hereunder, WBS may also from time to time provide or furnish property, assets, rights, interests, or other items of commercial value.
- 1.3 WBS shall furnish to the Client Companies the services described in Section 1.2 in such manner as the Client Companies reasonably require from time to time, unless WBS is not reasonably able to perform or provide such services or is unable to do so in a manner consistent with applicable law.
- 1.4 The services described herein shall be directly assigned or allocated by activity, project, program, work order or other appropriate manner on a case-by-case basis. Each Client Company may establish and document with WBS its expectations and

requirements with respect to any particular service to be rendered hereunder, including the establishment of targeted service and performance levels and measures to determine whether such service level indicators are being achieved. A Client Company shall have the right from time to time to modify any activity, project, program or work order provided that (i) any such modification that results in a material change in the scope of the services to be performed or equipment to be provided is acceptable to WBS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by WBS as a direct result of such modification of the activity, project, program or work order, and (iii) no modification of an activity, project, program or work order shall release a Client Company from liability for payment of all direct or allocable costs already incurred by or contracted for by WBS pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed prior to such modification taking effect.

2.0 Determination of Costs for Services.

2.1 All services provided by WBS shall be at cost, as hereinafter defined. It is the intent of the Parties that the payment for services rendered by WBS to the Client Companies hereunder shall cover all of WBS's costs of doing business (less the cost of services provided to affiliates not a party to this Agreement and to non-affiliated companies, and credits for miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, payroll and other taxes, and compensation for use of capital (with a return on WBS's net assets charged to each Client Company at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) for

WBS's regulated affiliate Wisconsin Electric Power Company). The allocation of net assets for the purposes of the return calculation will be based on the percentage of labor charges billed to the Client Companies relative to total WBS labor. The amount will be estimated at the beginning of each calendar year and trued up the following January.

- 2.2 As compensation to WBS for the services rendered hereunder, each Client Company shall pay to WBS all costs which are reasonably related to the services performed by WBS for or on behalf of such Client Company. WBS shall maintain a detailed cost accumulation and classification system, and shall allocate costs to each Client Company pursuant to the following methodology: (i) to the extent possible and prior to allocating costs pursuant to subsections (ii) and (iii) of this Section 2.2, costs associated with a service that is specifically performed for a single Client Company will be directly assigned and billed to that Client Company; all costs directly assigned and billed to any entity taking service from WBS shall be deducted from the amount being allocated in subsections (ii) and (iii) of this Section 2.2; (ii) where more than one Client Company receives benefits from a service, such amounts shall be allocated among such Client Companies (and any other affiliates within the WEC holding company system to whom the service is rendered by WBS) pursuant to the applicable cost Allocation Factor(s) set forth in Exhibit C; and (iii) where a service provided by WBS is of a general nature applicable to all Client Companies, costs incurred by WBS with respect to such service shall be allocated among the Client Companies (and any other affiliates within the WEC holding company system to whom applicable services are rendered by WBS) pursuant to the applicable cost Allocation Factor set forth in Exhibit C.
- 2.3 The Allocation Factors set forth in Exhibit C shall be subject to periodic review by WBS in connection with the studies required by Section 4.3, and may be reviewed

more frequently if deemed appropriate by WBS. In situations where a Client Company will receive services that are not direct billed but significantly less than the full suite of services represented by the allocation pool, the Allocation Factor in Exhibit C will be adjusted as appropriate for the Client Company commensurate with the level of services anticipated. This adjusted factor will be subject to approval by the Management of the Client Company.

- 2.4 The method of assignment or allocation of costs contemplated herein and in Exhibit C and/or the Allocation Factor or Factors assigned to any category of service in Exhibit B, may be modified or changed by WBS, without amendment of this Agreement, provided that all services rendered hereunder shall be at actual cost thereof, and further provided that such costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2.

3.0 Billing; Payment; Related Provisions.

- 3.1 WBS shall render a monthly bill to each Client Company reflecting the charges for services and property provided in the preceding month. Each bill shall include sufficient information and in sufficient detail to permit each Client Company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.
- 3.2 Upon receipt of a monthly bill for services rendered by WBS hereunder, each Client Company shall promptly pay any undisputed portion of the bill within ten (10) business days.
- 3.3 If a Client Company disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform WBS in writing as to its reasons for its dispute. WBS and the Client Company shall then meet to resolve in

good faith the dispute, and shall involve the other Client Companies in the resolution of the dispute to the extent necessary and appropriate.

4.0 Accounting and Recordkeeping; Annual FERC Reports; Cost Studies; Annual Client Company Reports; Internal Audit.

- 4.1 All accounts and records of WBS shall be kept in accordance with the relevant requirements promulgated by the FERC from time to time, including without limitation Parts 367 and 368 of the FERC's regulations. Without limiting the foregoing, WBS shall maintain adequate books and records with respect to all of its transactions hereunder, and shall record the costs to be allocated to the Client Companies in appropriate accounts in its general ledger system. WBS shall be responsible for maintaining internal controls to ensure the costs associated with all transactions hereunder are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.
- 4.2 WBS shall provide the Client Companies a copy of its FERC Form No. 60 (Part 369 of the FERC's regulations), or such other annual report required by the FERC of centralized service companies from time to time, contemporaneous with its annual filing of such report with the FERC.
- 4.3 At least once every three years, WBS shall conduct a new study of the cost of services provided hereunder, for the purpose of testing compliance with the Agreement and to analyze the market price of services provided. The study shall be updated at least annually. WBS shall provide each Client Company with a copy of each new study or update, as the case may be, no later than May 1 of the year following the end of the most recently completed fiscal year covered by the new study or update. The first such new study shall pertain to the period ending December 31, 2017, and shall be due on or before May 1, 2018.

4.4 Each year there shall be an internal audit of WBS's transactions involving each of the Client Companies for the purpose of testing compliance with the Agreement. In addition, the audit will include a review of transactions involving other entities to whom WBS provides service as well as the verification that all direct billings to regulated and non-regulated affiliates as well as unaffiliated parties, if applicable, were properly deducted prior to the allocations being calculated. The first such audit report shall pertain to the period ending December 31, 2016, and shall be due on or before July 1, 2017.

5.0 Representations and Warranties of the Parties.

5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.

5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.

5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

6.0 Additional Representations, Warranties and Covenants of WBS.

6.1 In its performance of services hereunder, WBS: (i) shall follow applicable federal and state regulations, including codes and standards of conduct, with respect to the sharing of confidential information it receives from any Client Company with another; (ii) shall not give one or more Client Companies, or any other affiliate within the WEC

holding company system, a competitive advantage in relevant markets; and (iii) shall not subsidize any Client Company and shall not cause any Client Company to subsidize any of its affiliates.

- 6.2 WBS shall make readily available to the FERC, and any other governmental agency with jurisdiction under applicable law, reasonable access to its books and records (including without limitation the basis for its computation of cost allocations) as may be necessary for any such agency to review, to the extent of its regulatory authority, WBS's transactions with the Client Companies.

7.0 Additional Provisions.

- 7.1 This Agreement shall become effective upon the commencement of operations by WBS, and upon execution of the Agreement by all of the signing Parties. Once effective, this Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.
- 7.2 This Agreement may be amended or modified at any time by mutual agreement of the undersigned Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all of the undersigned Parties.
- 7.3 At least sixty (60) days prior to leaving the WEC holding company system, a Client Company shall provide written notice to WBS, copying the other Parties. Any such Client Company may continue to receive services from WBS for a reasonable transitional period of time following such departure from the WEC holding company system.
- 7.4 At least sixty (60) days prior to any change to (i) Exhibit A reflecting the current Parties to this Agreement, (ii) Exhibit B reflecting the services and categories of service provided by WBS hereunder, and/or (iii) Exhibit C reflecting all Allocation Factors in use hereunder, WBS shall provide to the Client Companies a revised

version of such Exhibit(s) to be changed along with an indication of what change(s) will be made.

- 7.5 In providing all services, WBS may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of services for the Client Companies hereunder.
- 7.6 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care with which they use to protect their own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.6 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.
- 7.7 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of WBS to one or more of the Client

Companies will be for the direct or indirect benefit or common interest of all of the Client Companies, and it is therefore the intention of all Parties hereto to maintain all privileges that may apply to any communications related to the provision or receipt of such legal advice or services

- 7.8 The Client Companies hereby appoint WBS as agent to represent them in performing services for or on behalf of the Client Companies. The Client Companies also authorize WBS to purchase (i.e., take title to) various commodities, goods and assets in connection with its performance of services hereunder, and to resell (i.e., convey title to) such commodities, goods and assets to the Client Companies if necessary in the course of performing services hereunder. Any resale of such commodities, goods and assets by WBS to the Client Companies, and/or any use of such commodities, goods and assets by WBS in its provision of services hereunder, shall be at the costs incurred by WBS, allocated among the Client Companies pursuant to the methodologies prescribed herein. WBS shall be accountable for all funds advanced or collected on behalf of a Client Company in connection with any transaction in respect of which WBS provides services. The provision of services by WBS hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over WBS or its provision of services hereunder.
- 7.9 In the event that any amendment to this Agreement does not receive all necessary approvals or waivers from any regulatory or governmental authority that may be required from time to time, then the undersigned Parties shall promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent and effect, and thereafter re-file for such approval(s) or waiver(s).

- 7.10 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.11 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.12 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.13 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law.
- 7.14 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized as of the day and year first above written.

WEC BUSINESS SERVICES, LLC

WEC ENERGY GROUP, INC.

For itself and its non-regulated subsidiaries

By_____

By_____

Name_____

Name_____

Title_____

Title_____

APPENDIX A

Exhibit A

Client Company Parties to the Interim WBS Non-Regulated Affiliated Interest Agreement

ATC Holding LLC

Minergy LLC

SSS Holdings, LLC

W.E. Power, LLC

Elm Road Generating Station Supercritical, LLC

Elm Road Services, LLC

Port Washington Generating Station, LLC

WEXCO of Delaware, Inc.

BOSTCO LLC

Wisconsin Energy Capital Corporation

Housing Equity Fund 1992 Partnership

Riverfront Power LLC

WISPARK LLC

Wisvest LLC

Witech LLC

Exhibit B

1. Administrative services

Administrative services represent facility management services for owned and leased facilities, excluding power plants. This includes operations and maintenance of structures, capital improvements, interior space planning, printing services, security and janitorial, - acquisition and management of real estate and land rights including easements and right-of-ways.

Allocation Factors – (1) Square Footage; (2) Number of Office Moves; (3) FTE Work Estimate; (4) Number of Employees; (5) Dollars Associated with Number of Imprints; (6) Composite Allocator; (7) Number of Customers.

2. Corporate development

Corporate development refers to strategic planning, merger and acquisition analysis and support, market intelligence, project management, business and quality improvement processes, business development, asset analysis and divestiture, and resource allocation. It also consists of work performed to determine, implement and track corporate performance goals, initiatives and measures.

Allocation Factors – (1) General/Corporate.

3. Corporate secretary

Corporate secretary refers to those services required of a publicly held corporation, including shareholder, board of director and related committee meetings and minutes.

Allocation Factors – (1) General/Corporate.

4. Environmental

Environmental refers to the performance of assessments, investigations, remediation and other activities as required to ensure compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management and emergency response.

Allocation Factors – (1) FTE Work Estimate.

5. Executive management

Executive management services refers to the executive management and oversight activities

performed by officers of the company and other senior executives. Such activities involve the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors – (1) General/Corporate.

6. External affairs

External affairs refers to the preparation and dissemination of information to employees, customers, government officials, the public and the media. It also involves administering the company's activities in the areas of governmental relations, community support and economic development, as well as the analysis and formulation of regulatory policy, rate case preparation and rate administration.

Allocation Factors – (1) Total Property, Plant and Equipment; (2) Number of Employees; (3) General/Corporate; (4) Number of Customers.

7. Financial services

Financial services refers to accounting, finance, treasury, tax, internal audit and relating financial services. Examples of activities performed within these various financial disciplines includes the following: maintain corporate books and records, prepare financial and statistical reports, process payments to vendors, ensure compliance with tax laws and regulations, manage debt and maintain banking relationships, invest pension assets, establish and monitor internal controls, perform financial and risk analysis, prepare budgets and forecasts, maintain shareholder records, and communicate with the investment community.

Allocation Factors – (1) Number of Invoices Processed; (2) Number of Transactions; (3) Total Property, Plant and Equipment; (4) Number of Employees; (5) FTE Work Estimate; (6) General/Corporate.

8. Human resources

Human resources refers to the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. It also involves providing payroll and employee benefit administration employee training and development, recruiting and staffing services, employee communications and labor relations management.

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user

support, database administration and information systems security.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9) Call Volume; (10) Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

10. Legal services

Legal services refers to the provision of all types of legal advice and related services involving legal services related to corporate, commercial and contracts, litigation, regulatory, securities, real estate, legislative, employment and benefits, tax, intellectual property matters. In addition, services will also be provided to insurance (procurement, management and general advice), claims management, corporate records (policies, procedures and management) and compliance (compliance with laws, ethics and code of conduct).

Allocation Factors – (1) General/Corporate.

11. Supply chain

Supply chain refers to the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Specific activities include material inventory management, contract administration services, warehousing and logistics services-and the establishment of standards- The category also encompasses the purchase and oversight for, and maintenance of, vehicles and related equipment.

Allocation Factors – (1) Total Spend; (2) Number of Fleet Assets; (3) Dollars Associated with Number of Inventory Issues; (4) Composite Allocator.

12. Project Services

Project services refers to provide project management functions throughout the project life cycle from problem definition and concept development to project execution and performance validation. Offerings to affiliates include participation in business planning, Project Support Office services, problem solving and concept development, business case development, competitive excellence process improvement services, portfolio management, project management, and Dam safety program management.

Allocation Factors – (1) Hydro MW Distribution; (2) FTE work estimate; (3) Specific Project Assignment.

Exhibit C

Costs will be allocated through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial method.

First and foremost, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a “100% allocation” of costs related to a particular service to the one entity receiving that service.

Second, where direct charging is not appropriate, costs will be allocated using cost causation principles that link costs related to a specific type of service to the customers receiving such service.

All other cost allocations will be broad based with a generalized cost basis proxy.

Specific Allocation Factors:

Number of Customers – Based on the average number of customers (electric and/or gas) at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Meters - Based on the average number of meters (electric and/or gas) at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Invoices Processed – Based on the average number of invoices processed at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is

for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Personal Computers – Based on the average number of personal computers at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Phone Lines – Based on the average number of phone lines at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Mainframe CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for mainframe storage for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Clicks – Based on the average number of clicks on the website page at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Devices – Based on the number of devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Mobile Data Devices – Based on the number of mobile data devices for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in

circumstances.

Number of Radios – Based on the number of radios for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Office Moves – Based on the average number of office moves for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Spend – Based on the average total spend at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Call Volume – Based on average call volume of the most recent calendar year at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Specific Project Assignment - This indicates that Project Services is allowed to use any one of the existing allocation factors in this Exhibit C, such that costs associated with Project Services are allocated based on the nature of the project they are supporting.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for an WBS functional service as defined in Exhibit B - Based on the total O&M billings for the most recent 12 months at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service). This ratio will be determined annually and/or such time as may be required due to significant change in circumstance.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Inventory Issues – Based on the dollars associated with the number of inventory issues for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Fleet Assets – Based on the average number of fleet assets at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be

determined annually and/or at such time as may be required due to a significant change in circumstances.

Hydro MW Distribution – Based on the percentage per hydro region of rated generation in megawatts (MW), the numerator of which is for an individual hydro region and the denominator of which is for all hydro regions. This ratio will be revised annually at budget time if there are additions or deletions of hydro units, or changes in ownership percentages of existing hydro units, within the hydro regions.

MASTERINTERIM WBS NON-REGULATED AFFILIATED INTEREST AGREEMENT

THIS **MASTERINTERIM WBS** NON-REGULATED AFFILIATED INTEREST AGREEMENT ("Agreement") is entered into this ____ day of _____, ~~2007~~, 2015, by and among **IntegrysWEC** Business ~~Support~~Services, LLC, a Delaware limited liability company ("~~Integrys-Support~~WBS"); **IntegrysWEC** Energy Group, Inc., a Wisconsin corporation and a public utility holding company headquartered in ~~Chicago, Illinois, (~~IntegrysMilwaukee,~~~~ Wisconsin ("WEC"), and all of ~~Integrys'WEC's~~ non-regulated subsidiaries as listed in Exhibit A. All of the parties to this agreement shall be collectively referred to as "Parties," and all of the Parties other than ~~Integrys-Support~~WBS shall be collectively referred to as the "Client Companies."

RECITALS

A. Each Client Company is a subsidiary of **IntegrysWEC** that does not provide state-regulated utility service to captive customers, and is not otherwise a "public-utility company" as that term is defined at 42 U.S.C. § 16451(14) and as such definition is construed by the Federal Energy Regulatory Commission ("FERC") in its regulations and orders.

B. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing and receiving services, employees, properties, information systems, property, services and/or anything else of commercial value, all from a single centralized service provider. However, adequate planning and implementation time will be required in order to begin the provision of each of the services that WBS will ultimately deliver to the Client Companies. Until then, this Agreement shall govern the services provided by WBS to the Client Companies.

C. ~~Integrys-Support was formed as a centralized service company to provide shared services to the Client Companies as well as other companies in the Integrys holding company system, in particular, the regulated operating company subsidiaries of Integrys, who will receive~~

~~services from Integrys Support pursuant to a separate affiliated interest arrangement.D.~~

~~Integrys Support~~WBS and the Client Companies desire to enter into this Agreement whereby ~~Integrys Support~~WBS agrees to provide, and the Client Companies agree to accept and pay for, various services as described herein, with such payments by the Client Companies being at the fairly and equitably allocated costs as also provided herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

~~Integrys Support, Integrys~~WBS, WEC and the other Parties, in consideration of the mutual promises made in this Agreement, agree as follows:

1.0 Provision of Services by ~~Integrys Support~~WBS

- 1.1 The term "services" as used in this Agreement shall include management, supervisory, construction, engineering, accounting, legal, financial, human resources, information services, customer service, accounting, billing, operations and other administrative and general services.
- 1.2 Except as otherwise provided herein or required under applicable law, ~~Integrys Support~~WBS shall furnish to each Client Company, as may be requested by each such Client Company from time to time, services in those categories listed and described in Exhibit B. ~~Integrys Support~~WBS shall also furnish to each Client Company services in addition to those listed and described in Exhibit B, as may be requested by each such Client Company from time to time, provided that ~~Integrys Support~~WBS is reasonably able and willing to perform or provide such additional services, and provided further that Exhibit B is modified from time to time in order to reflect any additional categories of services provided by ~~Integrys Support~~WBS. In connection with its provision of services hereunder, ~~Integrys Support~~WBS may also from time to time provide or furnish property, assets, rights, interests, or other items of commercial value.

- 1.3 ~~Integrys Support~~WBS shall furnish to the Client Companies the services described in Section 1.2 in such manner as the Client Companies reasonably require from time to time, unless ~~Integrys Support~~WBS is not reasonably able to perform or provide such services or is unable to do so in a manner consistent with applicable law.
- 1.4 ~~Notwithstanding any other provision of this Agreement, a Client Company shall, upon at least one hundred twenty (120) days prior written notice, have the right to purchase the services described in Section 1.2 from a service provider other than Integrys Support if: (i) such third party service provider offers comparable services, (ii) the Client Company presents comparable internal and external costing and service data to demonstrate to Integrys Support that the third party services would be provided at a lower all-in price than the all-in price charged by Integrys Support for such services, and (iii) the Client Company presents comparable internal and external costing and service data to demonstrate to Integrys Support that provision of the services by a third party service provider will be of overall benefit to the Integrys holding company system. With respect to any such showing by a Client Company, all relevant information that is provided by any Client Company to Integrys Support shall be copied to all of the other Client Companies.~~
- 1.5 ~~In the event that any Client Company appropriately refuses to take or accept any services from Integrys Support pursuant to Section 1.4, such refusal shall not otherwise affect any other right, duty or obligation of any Party hereunder.~~1.6

The services described herein shall be directly assigned or allocated by activity, project, program, work order or other appropriate manner on a case-by-case basis. Each Client Company may establish and document with ~~Integrys Support~~WBS its expectations and requirements with respect to any

particular service to be rendered hereunder, including the establishment of targeted service and performance levels and measures to determine whether such service level indicators are being achieved. A Client Company shall have the right from time to time to modify any activity, project, program or work order provided that (i) any such modification that results in a material change in the scope of the services to be performed or equipment to be provided is acceptable to ~~Integrys-Support~~WBS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by ~~Integrys-Support~~WBS as a direct result of such modification of the activity, project, program or work order, and (iii) no modification of an activity, project, program or work order shall release a Client Company from liability for payment of all direct or allocable costs already incurred by or contracted for by ~~Integrys-Support~~WBS pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed prior to such modification taking effect.

2.0 Determination of Costs for Services.

- 2.1 All services provided by ~~Integrys-Support~~WBS shall be at cost, as hereinafter defined. It is the intent of the Parties that the payment for services rendered by ~~Integrys-Support~~WBS to the Client Companies hereunder shall cover all of ~~Integrys-Support~~WBS's costs of doing business (less the cost of services provided to affiliates not a party to this Agreement and to non-affiliated companies, and credits for miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization, payroll and other taxes, and

compensation for use of capital (with a return on ~~Integrys-Support~~WBS's net assets charged to each Client Company at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) for ~~Integrys-Support~~WBS's regulated affiliate Wisconsin ~~Public-Service-Corporation~~).Electric Power Company). The allocation of net assets for the purposes of the return calculation will be based on the percentage of labor charges billed to the Client Companies relative to total WBS labor. The amount will be estimated at the beginning of each calendar year and tried up the following January.

- 2.2 As compensation to ~~Integrys-Support~~WBS for the services rendered hereunder, each Client Company shall pay to ~~Integrys-Support~~WBS all costs which are reasonably related to the services performed by ~~Integrys-Support~~WBS for or on behalf of such Client Company. ~~Integrys-Support~~WBS shall maintain a detailed cost accumulation and classification system, and shall allocate costs to each Client Company pursuant to the following methodology: (i) to the extent possible and prior to allocating costs pursuant to subsections (ii) and (iii) of this Section 2.2, costs associated with a service that is specifically performed for a single Client Company will be directly assigned and billed to that Client Company; all costs directly assigned and billed to any entity taking service from ~~Integrys-Support~~WBS shall be deducted from the amount being allocated in subsections (ii) and (iii) of this Section 2.2; (ii) where more than one Client Company receives benefits from a service, such amounts shall be allocated among such Client Companies (and any other affiliates within the ~~Integrys~~WEC holding company system to whom the service is rendered by ~~Integrys-Support~~WBS) pursuant to the applicable cost Allocation Factor(s) set forth in Exhibit C; and (iii) where a service provided by ~~Integrys-Support~~WBS is of a general nature applicable to all Client Companies, costs incurred by ~~Integrys-Support~~WBS with respect to such

service shall be allocated among the Client Companies (and any other affiliates within the ~~Integrys~~WEC holding company system to whom applicable services are rendered by ~~Integrys Support~~WBS) pursuant to the applicable cost Allocation Factor set forth in Exhibit C.

- 2.3 The Allocation Factors set forth in Exhibit C shall be subject to periodic review by ~~Integrys Support~~WBS in connection with the studies required by Section 4.3, and may be reviewed more frequently if deemed appropriate by ~~Integrys Support~~WBS. In situations where a Client Company will receive services that are not direct billed but significantly less than the full suite of services represented by the allocation pool, the Allocation Factor in Exhibit C will be adjusted as appropriate for the Client Company commensurate with the level of services anticipated. This adjusted factor will be subject to approval by the Management of the Client Company.
- 2.4 The method of assignment or allocation of costs contemplated herein and in Exhibit C and/or the Allocation Factor or Factors assigned to any category of service in Exhibit B, may be modified or changed by ~~Integrys Support~~WBS, without amendment of this Agreement, provided that all services rendered hereunder shall be at actual cost thereof, and further provided that such costs are fairly and equitably assigned or allocated in a manner consistent with Section 2.2.

3.0 Billing; Payment; Related Provisions.

- 3.1 ~~Integrys-Support~~WBS shall render a monthly bill to each Client Company reflecting the charges for services and property provided in the preceding month. Each bill shall include sufficient information and in sufficient detail to permit each Client Company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.
- 3.2 Upon receipt of a monthly bill for services rendered by ~~Integrys-Support~~WBS hereunder, each Client Company shall promptly pay any undisputed portion of the bill within ten (10) business days.
- 3.3 If a Client Company disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform ~~Integrys-Support~~WBS in writing as to its reasons for its dispute. ~~Integrys-Support~~WBS and the Client Company shall then meet to resolve in good faith the dispute, and shall involve the other Client Companies in the resolution of the dispute to the extent necessary and appropriate.

4.0 Accounting and Recordkeeping; Annual FERC Reports; Cost Studies; Annual Client Company Reports; Internal Audit.

- 4.1 All accounts and records of ~~Integrys-Support~~WBS shall be kept in accordance with the relevant requirements promulgated by the FERC from time to time, including without limitation Parts 367 and 368 of the FERC's regulations. Without limiting the foregoing, ~~Integrys-Support~~WBS shall maintain adequate books and records with respect to all of its transactions hereunder, and shall record the costs to be allocated to the Client Companies in appropriate accounts in its general ledger system. ~~Integrys-Support~~WBS shall be responsible for maintaining internal controls to ensure the costs associated with all transactions

hereunder are properly and consistently allocated and billed in accordance with the terms and provisions of this Agreement.

- 4.2 ~~Integrys Support~~WBS shall provide the Client Companies a copy of its FERC Form No. 60 (Part 369 of the FERC's regulations), or such other annual report required by the FERC of centralized service companies from time to time, contemporaneous with its annual filing of such report with the FERC.
- 4.3 At least once every three years, ~~Integrys Support~~WBS shall conduct a new study of the cost of services provided hereunder, for the purpose of testing compliance with the Agreement and to analyze the market price of services provided. The study shall be updated at least annually. ~~Integrys Support~~WBS shall provide each Client Company with a copy of each new study or update, as the case may be, no later than May 1 of the year following the end of the most recently completed fiscal year covered by the new study or update. The first such new study shall pertain to the period ending December 31, ~~2008,2017~~, and shall be due on or before May 1, ~~2009-2018~~.
- 4.4 Each year there shall be an internal audit of ~~Integrys Support~~WBS's transactions involving each of the Client Companies for the purpose of testing compliance with the Agreement. In addition, the audit will include a review of transactions involving other entities to whom ~~Integrys Support~~WBS provides service as well as the verification that all direct billings to regulated and non-regulated affiliates as well as unaffiliated parties, if applicable, were properly deducted prior to the allocations being calculated. The first such audit report shall pertain to the period ending December 31, ~~2008,2016~~, and shall be due on or before July 1, ~~2009-2017~~.

5.0 Representations and Warranties of the Parties.

- 5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.
- 5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.
- 5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

6.0 Additional Representations, Warranties and Covenants of ~~Integrys Support~~WBS.

- 6.1 In its performance of services hereunder, ~~Integrys Support~~WBS: (i) shall follow applicable federal and state regulations, including codes and standards of conduct, with respect to the sharing of confidential information it receives from any Client Company with another; (ii) shall not give one or more Client Companies, or any other affiliate within the ~~Integrys~~WEC holding company system, a competitive advantage in relevant markets; and (iii) shall not subsidize any Client Company and shall not cause any Client Company to subsidize any of its affiliates.
- 6.2 ~~Integrys Support~~WBS shall make readily available to the FERC, and any other governmental agency with jurisdiction under applicable law, reasonable access to its books and records (including without limitation the basis for its computation

of cost allocations) as may be necessary for any such agency to review, to the extent of its regulatory authority, ~~Integrys-Support~~WBS's transactions with the Client Companies.

7.0 Additional Provisions.

- 7.1 This Agreement shall become effective upon the commencement of operations by ~~Integrys-Support~~WBS, and upon execution of the Agreement by all of the signing Parties. Once effective, this Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.
- 7.2 This Agreement may be amended or modified at any time by mutual agreement of the undersigned Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all of the undersigned Parties.
- 7.3 At least sixty (60) days prior to leaving the ~~Integrys~~WEC holding company system, a Client Company shall provide written notice to ~~Integrys-Support~~WBS, copying the other Parties. Any such Client Company may continue to receive services from ~~Integrys-Support~~WBS for a reasonable transitional period of time following such departure from the ~~Integrys~~WEC holding company system.
- 7.4 At least sixty (60) days prior to any change to (i) Exhibit A reflecting the current Parties to this Agreement, (ii) Exhibit B reflecting the services and categories of service provided by ~~Integrys-Support~~WBS hereunder, and/or (iii) Exhibit C reflecting all Allocation Factors in use hereunder, ~~Integrys-Support~~WBS shall provide to the Client Companies a revised version of such Exhibit(s) to be changed along with an indication of what change(s) will be made.
- 7.5 In providing all services, ~~Integrys-Support~~WBS may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be

required for or pertinent to the performance of services for the Client Companies hereunder.

- 7.6 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care with which they use to protect their own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.6 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.
- 7.7 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of ~~Integrus Support~~WBS to one or more of the Client Companies will be for the direct or indirect benefit or common interest of all of the Client Companies, and it is therefore the intention of all Parties hereto to maintain all privileges that may apply to any

communications related to the provision or receipt of such legal advice or services

- 7.8 The Client Companies hereby appoint ~~Integrys-Support~~WBS as agent to represent them in performing services for or on behalf of the Client Companies. The Client Companies also authorize ~~Integrys-Support~~WBS to purchase (i.e., take title to) various commodities, goods and assets in connection with its performance of services hereunder, and to resell (i.e., convey title to) such commodities, goods and assets to the Client Companies if necessary in the course of performing services hereunder. Any resale of such commodities, goods and assets by ~~Integrys-Support~~WBS to the Client Companies, and/or any use of such commodities, goods and assets by ~~Integrys-Support~~WBS in its provision of services hereunder, shall be at the costs incurred by ~~Integrys-Support~~WBS, allocated among the Client Companies pursuant to the methodologies prescribed herein. ~~Integrys-Support~~WBS shall be accountable for all funds advanced or collected on behalf of a Client Company in connection with any transaction in respect of which ~~Integrys-Support~~WBS provides services. The provision of services by ~~Integrys-Support~~WBS hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over ~~Integrys-Support~~WBS or its provision of services hereunder.
- 7.9 In the event that any amendment to this Agreement does not receive all necessary approvals or waivers from any regulatory or governmental authority that may be required from time to time, then the undersigned Parties shall promptly negotiate in good faith new provisions to restore such amendment, as

nearly as possible, to its original intent and effect, and thereafter re-file for such approval(s) or waiver(s).

- 7.10 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.11 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.12 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.13 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law.
- 7.14 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized as of the day and year first above written.

~~INTEGRYS~~WEC BUSINESS ~~SUPPORT~~SERVICES, LLC ~~INTEGRYS~~WEC ENERGY GROUP, INC.

For itself and its non-regulated subsidiaries-
(~~other than Integrys Energy Services, Inc.~~
~~and its subsidiaries~~)

By _____

By _____

Name _____

Name _____

Title _____

Title _____

~~INTEGRYS ENERGY SERVICES, INC.~~

~~For itself and its subsidiaries~~

~~By~~ _____

~~By~~ _____

~~Name~~ _____

~~Name~~ _____

~~Title~~ _____

~~Title~~ _____

Exhibit A

Client Company Parties to the **MasterInterim WBS Non-Regulated Affiliated Interest Agreement**

[ATC Holding LLC](#)

[Minergy LLC](#)

[SSS Holdings, LLC](#)

[W.E. Power, LLC](#)

[Elm Road Generating Station Supercritical, LLC](#)

[Elm Road Services, LLC](#)

[Port Washington Generating Station, LLC](#)

[WEXCO of Delaware, Inc.](#)

[BOSTCO LLC](#)

[Wisconsin Energy Capital Corporation](#)

[Housing Equity Fund 1992 Partnership](#)

[Riverfront Power LLC](#)

[WISPARK LLC](#)

[Wisvest LLC](#)

[Witech LLC](#)

Exhibit B

1. Administrative services

Administrative services represent facility management services for owned and leased facilities, excluding power plants. This includes operations and maintenance of structures, capital improvements, interior space planning, printing services, security and janitorial, – acquisition and management of real estate and land rights including easements and right-of-ways.

Allocation Factors – (1) Square Footage; (2) Number of Office Moves; (3) FTE Work Estimate; (4) Number of Employees; (5) Dollars Associated with Number of Imprints; (6) Composite Allocator; (7) Number of Customers.

2. Corporate development

Corporate development refers to strategic planning, merger and acquisition analysis and support, market intelligence, project management, business and quality improvement processes, business development, asset analysis and divestiture, and resource allocation. It also consists of work performed to determine, implement and track corporate performance goals, initiatives and measures.

Allocation Factors – (1) General/Corporate.

3. Corporate secretary

Corporate secretary refers to those services required of a publicly held corporation, including shareholder, board of director and related committee meetings and minutes.

Allocation Factors – (1) General/Corporate.

4. Environmental

Environmental refers to the performance of assessments, investigations, remediation and other activities as required to ensure compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management and emergency response.

Allocation Factors – (1) FTE Work Estimate.

5. Executive management

Executive management services refers to the executive management and oversight activities performed by officers of the company and other senior executives. Such activities involve the formulation of general business plans and policies, selection of key management personnel, and allocation of financial resources.

Allocation Factors – (1) General/Corporate.

6. External affairs

External affairs refers to the preparation and dissemination of information to employees, customers, government officials, the public and the media. It also involves administering the company's activities in the areas of governmental relations, community support and economic development, as well as the analysis and formulation of regulatory policy, rate case preparation and rate administration.

Allocation Factors – (1) Total Property, Plant and Equipment; (2) Number of Employees; (3) General/Corporate; (4) Number of Customers.

7. Financial services

Financial services refers to accounting, finance, treasury, tax, internal audit and relating financial services. Examples of activities performed within these various financial disciplines includes the following: maintain corporate books and records, prepare financial and statistical reports, process payments to vendors, ensure compliance with tax laws and regulations, manage debt and maintain banking relationships, invest pension assets, establish and monitor internal controls, perform financial and risk analysis, prepare budgets and forecasts, maintain shareholder records, and communicate with the investment community.

Allocation Factors – (1) Number of Invoices Processed; (2) Number of Transactions; (3) Total Property, Plant and Equipment; (4) Number of Employees; (5) FTE Work Estimate; (6) General/Corporate.

8. Human resources

Human resources refers to the establishment and administration of policies and assuring compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. It also involves providing payroll and employee benefit administration employee training and development, recruiting and staffing services, employee communications and labor relations management.

Allocation Factors – (1) Number of Employees.

9. Information technology

Information technology refers to telecommunications and electronic data processing services such as computer operations, software development and maintenance, network support, end-user support, database administration and information systems security.

Allocation Factors – (1) Number of Personal Computers; (2) Number of Clicks; (3) Number of Phone Lines; (4) Number of Employees; (5) Application Allocator; (6) Mainframe CPU and Disk Storage; (7) Number of Devices; (8) Number of Meters; (9) Call Volume; (10) Square Footage; (11) Number of Radios; (12) Number of Mobile Data Devices; (13) Number of Customers; (14) Composite Allocator.

10. Legal services

Legal services refers to the provision of all types of legal advice and related services involving legal services related to corporate, commercial and contracts, litigation, regulatory, securities, real estate, legislative, employment and benefits, tax, intellectual property matters. In addition, services will also be provided to insurance (procurement, management and general advice), claims management, corporate records (policies, procedures and management) and compliance (compliance with laws, ethics and code of conduct).

Allocation Factors – (1) General/Corporate.

11. Supply chain

Supply chain refers to the acquisition and provision of goods and services other than fuel, energy commodities or energy transmission. Specific activities include material inventory management, contract administration services, warehousing and logistics services—and the establishment of standards- The category also encompasses the purchase and oversight for, and maintenance of, vehicles and related equipment.

Allocation Factors – (1) Total Spend; (2) Number of Fleet Assets; (3) Dollars Associated with Number of Inventory Issues; (4) Composite Allocator.

12. Project Services

Project services refers to provide project management functions throughout the project life cycle from problem definition and concept development to project execution and performance validation. Offerings to affiliates include participation in business planning, Project Support Office services, problem solving and concept development, business case development, competitive excellence process improvement services, portfolio management, project management, and Dam safety program management.

Allocation Factors – (1) Hydro MW Distribution; (2) FTE work estimate; (3) Specific Project Assignment.

Exhibit C

Costs will be allocated through a tiered approach. This allocation methodology reflects operational aspects of the charge and applies costs in a meaningful and impartial method.

First and foremost, costs will be directly charged whenever appropriate and practicable. Direct charging is essentially a “100% allocation” of costs related to a particular service to the one entity receiving that service.

Second, where direct charging is not appropriate, costs will be allocated using cost causation principles that link costs related to a specific type of service to the customers receiving such service.

All other cost allocations will be broad based with a generalized cost basis proxy.

Specific Allocation Factors:

Number of Customers – Based on the average number of customers (electric and/or gas) at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Employees - Based on the average number of employees included in the budget that is being prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Meters - Based on the average number of meters (electric and/or gas) at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Invoices Processed – Based on the average number of invoices processed at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Transactions – Based on the average number of transactions processed in the system at the end of the most recent 12 months at the time the budget is prepared. The numerator of

which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Personal Computers – Based on the average number of personal computers at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Phone Lines – Based on the average number of phone lines at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Mainframe CPU and Disk Storage – Based on the number of CPU cycles used by the application divided by the total number of used CPU cycles and the total bytes of data storage used by the application divided by the total bytes used for mainframe storage for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (of specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Clicks – Based on the average number of clicks on the website page at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Devices – Based on the number of devices at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Mobile Data Devices – Based on the number of mobile data devices for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the

service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Radios – Based on the number of radios for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Imprints – Based on the dollars associated with the number of imprints for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Office Moves – Based on the average number of office moves for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Spend – Based on the average total spend at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Total Property, Plant and Equipment – Based on average property, plant and equipment at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Square Footage – Based on average square footage occupied for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Call Volume – Based on average call volume of the most recent calendar year at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of

which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Application Allocator – Based on the allocation of the specific application being worked on. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Specific Project Assignment - This indicates that Project Services is allowed to use any one of the existing allocation factors in this Exhibit C, such that costs associated with Project Services are allocated based on the nature of the project they are supporting.

Full Time Equivalent (FTE) Work Estimate – Based on a recurring, predictable level of service. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Composite Allocator Based on Total Historical Billings for an ~~IBS~~WBS functional service as defined in Exhibit B - Based on the total O&M billings for the most recent 12 months at the time the budget is prepared or total O&M billings for the previous calendar year. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service). This ratio will be determined annually and/or such time as may be required due to significant change in circumstance.

General/Corporate – Based on an equal weighting of a 13-month average of assets (excluding hedge assets, goodwill, and non-ordinary assets) for the most recent 13 months at the time the budget is prepared and average annual O&M costs (excluding fuel costs) for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Dollars Associated with Number of Inventory Issues – Based on the dollars associated with the number of inventory issues for the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Number of Fleet Assets – Based on the average number of fleet assets at the end of the most recent 12 months at the time the budget is prepared. The numerator of which is for a Client Company and the denominator of which is for all Client Companies (or specific Client Companies receiving the service allocated per this factor, if not all Companies are receiving the service.) This ratio will be determined annually and/or at such time as may be required due to a significant change in circumstances.

Hydro MW Distribution – Based on the percentage per hydro region of rated generation in megawatts (MW), the numerator of which is for an individual hydro region and the denominator of which is for all hydro regions. This ratio will be revised annually at budget time if there are additions or deletions of hydro units, or changes in ownership percentages of existing hydro units, within the hydro regions.

WEC ENERGY GROUP AFFILIATED INTEREST AGREEMENT

THIS WEC ENERGY GROUP AFFILIATED INTEREST AGREEMENT ("Agreement") is entered into this ____ day of _____, 2015, by and among WEC Energy Group, Inc. ("WEC"), a public utility holding company, the regulated subsidiaries of WEC listed on Appendix A (the "Regulated Parties"), and the non-regulated subsidiaries of WEC listed on Appendix B (the "Non-Regulated Parties"). Each party to this Agreement is a "Party."

RECITALS

A. Each of the Regulated Parties, except WVIC (defined in Appendix A), is a state-regulated utility operating company, a wholly-owned subsidiary of WEC, and an affiliated interest of all other Parties pursuant to the applicable public utility law of the state(s) in which it conducts its regulated utility operations.

B. Each of the Non-Regulated Parties is a wholly-owned subsidiary of WEC that does not provide state-regulated utility service to captive customers, and is not otherwise a "public-utility company" as that term is defined at 42 U.S.C. § 16451(14) and as such definition is construed by the Federal Energy Regulatory Commission ("FERC").

C. WEC Business Services, LLC ("WBS"), a Non-Regulated Party, is a centralized service company, as defined and regulated by the FERC, that was formed to provide various services to the other Parties.

D. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing and receiving certain services, employees, properties, information systems and/or anything else of commercial value.

E. The Parties intend that this Agreement shall establish the terms, conditions, and procedures that shall apply to the sharing of services and other transfers of goods, property, assets, rights or things of any kind between them, subject to the regulatory jurisdiction of the

Illinois Commerce Commission ("ICC"), Michigan Public Service Commission ("MPSC"), Minnesota Public Utilities Commission ("MPUC"), and the Public Service Commission of Wisconsin ("PSCW"), and any other state public service commission with jurisdiction over the retail service rates of any Regulated Party from time to time (collectively the "Commissions") pursuant and subject to applicable state utility law.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Parties agree as follows:

AGREEMENT

Article I **Provision of Services**

- 1.1 Subject to the limitations set forth in this Article I and applicable state and federal requirements, a Party (including WBS) may request Services from another Party (other than WBS). The term "Services" is further described in Appendix C and may include any service, good, asset, property, employee, right, interest, thing or item of value, or anything of commercial value to the transferee or recipient, the furnishing or provision of which could be considered a "contract or arrangement," "service" or other exchange of "property" or "assets" (or other similar designations) which, absent this Agreement, could require the approval of one or more of the Commissions as an affiliated interest arrangement (each, a "Service").
- 1.2. Each Party shall have the right, at its sole discretion, to refuse to provide or furnish any Services requested pursuant to this Agreement; there shall be no exclusive right or right of first refusal associated with the provision or furnishing of such Services pursuant to this Agreement; and receiving a refusal from another Party to a request under this Agreement shall not be a prerequisite for any Party to obtain from an independent third party any property, service or thing which is

or could be provided or furnished under this Agreement. Refusals of requests by any Party under this Agreement shall not terminate all or any portion of this Agreement.

1.3 Parties providing Services under this Agreement (each a “Providing Party”) and Parties receiving any Service under this Agreement (each a “Receiving Party”) may establish and document their mutual expectations and requirements with respect to any particular Service to be rendered hereunder.

1.4 With respect to certain Providing Parties as applicable:

- (i) No Party shall provide a Service under this Agreement if the Service must, if it is to be provided by an affiliate, instead be provided by WBS pursuant to an WBS AIA.
- (ii) No Regulated Party shall be required to take actions pursuant to this Agreement that negatively impact the reliability or quality of utility services available to customers of the Regulated Party, impede the ability of the Regulated Party to provide utility services to its customers, or increase the costs to its customers of receiving such utility services.

Article II **Determining Charges for Services Provided**

2.1 Cost of Services.

- (i) All Services provided by any Regulated Party to another Regulated Party shall be priced at cost, with “cost” being determined as provided in Section 2.2.
- (ii) All Services provided by any Regulated Party to any Non-Regulated Party shall be priced at the greater of cost or fair market value, with “cost” being determined as provided in Section 2.2 and with fair market value being determined pursuant to Section 2.4.

- (iii) All Services provided by any Non-Regulated Party to any Regulated Party shall be priced at the lesser of cost or fair market value, with “cost” being determined as provided in Section 2.3 and with fair market value being determined pursuant to Section 2.4.
- (iv) Notwithstanding anything else in this Agreement, all Services provided by any Party to WBS shall be priced at cost, with “cost” being determined as provided in Section 2.2 when the Providing Party is a Regulated Party and as provided in Section 2.3 when the Providing Party is a Non-Regulated Party.

2.2 Determining “Cost” For Regulated Providing Parties

(i) Labor Cost.

A. Each employee of any Regulated Party who in any month was a Providing Party shall, for that month, identify the actual time spent providing Services and report the total time spent providing Services in the Corporate Labor System that is maintained by WBS or that is otherwise maintained in accordance with established accounting procedures of the Regulated Party.

B. Based on actual compensation and the total hours actually worked, a direct labor dollar hourly rate shall be computed for each such employee identified pursuant to sub-paragraph (i)(A).

C. An overhead shall be established and shall be applied to direct labor dollars (product of sub-paragraphs (i)(A) and (i)(B)) to include:

1. Costs associated with pensions, other post-employment benefits, social security taxes, unemployment compensation, health,

dental and life insurance, training, vacation, sick, holiday and other employee benefits;

2. Average cost of administrative and general costs including, but not limited to, telephone, office supplies, property insurance and miscellaneous expenses, and excluding regulatory commission expense and other nonrelated expenses;

3. Costs of office space, furniture and equipment, using a return on net assets at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a service for which a cost is being determined hereunder.

- (ii) Equipment Cost. Costs for equipment, other than office furniture and related equipment, used in the provision of Services or otherwise provided will include all operating expenses, applicable overheads, maintenance, depreciation, return on investment and taxes, income taxes, sales or otherwise. Transportation and vehicle costs used in providing Services will be determined based on relative total hours or miles of use or on a vehicle loading applied to labor costs, as appropriate, and will include repairs, maintenance, fuel, depreciation, return on investment and, where appropriate, rental expense. In all cases, return on investment shall be calculated using a return on net assets at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a Service for which a cost is being determined hereunder.

- (iii) **Materials and Supplies Cost.** Costs of materials and supplies commonly used across affiliates will be directly determined and charged. All appropriate overheads will follow the assignment of the direct costs. The costs of material will be based on the average unit price, which includes invoice price, shipping expenses, and net of purchase discounts. Appropriate overheads allocated will include: (i) operation and maintenance costs, which include, but are not limited to, the functions of purchasing, receiving, storing, dispensing and accounting for items; building maintenance; external security costs; general facility upkeep and preventative maintenance; and building utility costs based on the square footage occupied by warehousing functions; and (ii) depreciation and carrying costs on transportation equipment used in providing the Service.
- (iv) **Other Direct Costs.** Other direct costs including but not limited to contract labor, contract services, employee reimbursement for meals and lodging and other costs not included in labor, equipment, materials and supplies will be either accumulated and billed directly based on actual charges or allocated as a loading on labor costs as appropriate.
- (v) **Calculating Total Cost of Service.** The sum of the direct and indirect charges calculated in accordance with sub-paragraphs (i) through (iv) above, shall constitute the total cost of Services provided.
- (vi) **Cost Records.** Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads provided shall be determined in accordance with accounting standards customarily used by such businesses. Each Regulated Party will maintain a cost accounting system to accumulate all costs related to Services they provide, on an

activity, department, project, function, work order, or other appropriate basis, and which is adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by regulatory bodies having jurisdiction.

- 2.3 Determining “Cost” For Non-Regulated Providing Parties. Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads and costs incurred by a Non-Regulated Party in the course of providing a Service to a Regulated Party hereunder shall be determined in accordance with accounting standards customarily used by businesses such as those in which the Non-Regulated Party is engaged. Each Non-Regulated Party providing a Service to a Regulated Party hereunder shall keep and maintain accounting and bookkeeping records which are adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by the Commission(s) having jurisdiction over the retail rates of any Regulated Party to whom it provides a Service hereunder.
- 2.4 Fair Market Value. The fair market value of a Service provided under this Agreement shall mean the cost determined by making a good faith effort to identify the resources necessary to perform the Service, and the value of such Service based on a general knowledge of the relevant market for such or a similar Service as well as, if available, comparison with bids or quotations for such or a similar Service. If, despite good faith efforts, a Providing Party is not able to determine the fair market value of a Service it provides to a Receiving Party, the fair market value shall be deemed to be equal to the Providing Party’s cost, calculated as described in this Agreement, incurred in providing the Service.

Article III **Billing; Payment; Related Provisions**

- 3.1 Each Providing Party shall, for any month in which it provides a Service hereunder, render a monthly bill to each Receiving Party reflecting the charges for Services provided in the preceding month. Each bill shall include sufficient information and be in sufficient detail to permit each Receiving Party to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.
- 3.2 Upon receipt of a monthly bill for Services so rendered, each Receiving Party shall promptly pay any undisputed portion of the bill within ten (10) business days.
- 3.3 If a Receiving Party disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform the Providing Party in writing as to its reasons for its dispute. The Parties involved in such dispute shall then meet to resolve in good faith the dispute, and shall involve the other Parties in the resolution of the dispute to the extent necessary and appropriate.

Article IV **Accounting; Records; Reports**

- 4.1 Each of the Regulated Parties shall keep all its accounts and records in accordance with the relevant requirements promulgated by the Commission(s) with jurisdiction. Without limiting the foregoing, each of the Regulated Parties shall maintain adequate books and records with respect to all of its transactions under this Agreement and shall record the costs to be allocated to any Party hereunder in appropriate accounts in its general ledger system. The Regulated Parties shall each maintain internal controls to ensure that it allocates and bills

the costs associated with all transactions under this Agreement properly and consistently in accordance with the terms and provisions of this Agreement.

- 4.2 Each year by May 1, each of the Regulated Parties shall submit to the person or department designated by its Commission or its Commission's staff: (i) billing reports showing its charges, as a Providing Party, to any Receiving Party to which it provided Services hereunder during the preceding calendar year; and (ii) billing reports showing its payments, as a Receiving Party, for Services received from Providing Parties hereunder during the preceding calendar year.
- 4.3 Every year there shall be an internal audit of transactions under this Agreement for the purpose of testing compliance with the Agreement. Such audit may be either a discrete audit solely of Services under this Agreement or may be an audit of the Services under this Agreement and other affiliated interest service agreements. The internal audit shall include, but not be limited to, the following: 1) the accuracy of the derivations of costs billed by the Providing Parties; 2) the determination that the costs billed to the Regulated Parties are priced at the lesser of cost or fair market value, based on the studies and updates required by Section 4.4; 3) the determination that Services provided by the Regulated Parties to the Non-Regulated Parties, except WBS, are billed at the higher of cost or market, based on the studies and updates required by Section 4.4; and 4) the accuracy of invoices issued under the Agreement during the year. The Regulated Parties shall submit a copy of the audit report to the person or department designated by the Commissions or the Commissions' staffs no later than July 1 of each audit year. The first such audit report shall pertain to the period ending December 31 of the year in which this Agreement is effective, and

shall be due on or before July 1 of the following year. Subsequent audit reports shall be due July 1 following the calendar year that is the subject of the audit.

- 4.4 Every third year, on or before May 1, the Parties shall conduct a new study of the cost of Services provided hereunder for the purpose of testing compliance with the provisions of this Agreement requiring charges at the fair market value and to analyze the market price of services provided. The study shall include Services provided between a Regulated Party and a Non-Regulated Party at cost. The study shall be updated at least annually. The Parties shall notify the person or department designated by the Commissions or the Commissions' staffs of the availability of the study and annual update and, if requested, make such available for review at the Commission's offices. The first such new study shall pertain to the period ending December 31, 2017, and shall be due on or before May 1, 2018.

Article V **Representations and Warranties of the Parties**

- 5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.
- 5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.
- 5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that

each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

Article VI **Liability and Indemnity**

6.1 Each Party (for purposes of this Section 6.1, each an "Indemnifying Party") shall indemnify and save harmless each other Party (for purposes of this Section 6.1, each an "Indemnified Party") from any and all damages, expenses, claims, costs, attorneys' fees or other injury, including without limitation injury to person, life or property and further including injury resulting in the death of any person or persons ("Damages") in any manner arising out of or in connection with the willful or negligent acts or omissions of the Indemnifying Party in the performance of this Agreement. In the event that one or more Indemnified Parties is made a party to any suit or litigation on account any actual or alleged Damages, the appropriate Indemnifying Party or Parties will defend such action on behalf of the Indemnified Party or Parties and, if judgment shall be obtained or claim allowed in any of said proceedings against one or more Indemnified Parties, the appropriate Indemnifying Party or Parties will pay and satisfy such judgment or claim in full.

6.2 Each Party agrees that no other Party shall be liable to it for special, punitive, consequential, exemplary or incidental damages or other such losses, damages, costs or liabilities arising from any cause whatsoever, whether occasioned by the negligent acts or omissions of a Party or its employees, agents or representatives or otherwise.

Article VII **Additional Provisions**

7.1 This Agreement shall become effective upon the closing of that certain Agreement and Plan of Merger dated as of June 22, 2014, between Integrys

Energy Group, Inc. and Wisconsin Energy Corporation. Once effective, this Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.

- 7.2 This Agreement may be amended or modified at any time by mutual agreement of the Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all Parties hereto. Except as otherwise provided herein or under applicable law, any such modification, amendment or assignment shall not become effective until receipt of approvals or waivers by the Commissions as might be required by law. The addition of a Party to this Agreement or the termination of this Agreement as to a Party shall not require the prior approval of the Commissions but the Regulated Parties shall give written notice to the Commissions of changes to Appendix A or Appendix B reflecting the current Parties to this Agreement. Any change to Appendix C reflecting the Services and categories of Service provided hereunder shall not require the prior approval of the Commissions but the Regulated Parties shall give sixty (60) days' prior written notice to the Commissions of changes to Appendix C.
- 7.3 A Party leaving the WEC holding company system may continue to receive Services from any Providing Party hereunder for a reasonable transitional period of time following such departure from the WEC holding company system. Once any such departure has occurred and the Party has ceased receiving Services, an updated Appendix A and/or B shall be filed with the Commissions.
- 7.4 In providing all Services, any Providing Party may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys,

advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of Services for the Parties hereunder.

- 7.5 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care which it uses to protect its own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.5 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

- 7.6 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of any Providing Party hereunder will be for the direct or indirect benefit or common interest of all of the Receiving Parties, and it is therefore the intention of all Parties hereto to maintain

all privileges that may apply to any communications related to the provision or receipt of such legal advice or services.

- 7.7 The Parties hereby appoint all Providing Parties as their agent to represent them in performing services for or on their behalf in providing Services hereunder. The Parties also authorize all Providing Parties hereunder to purchase (*i.e.*, take title to) various commodities, goods and assets in connection with their performance of Services hereunder, and to resell (*i.e.*, convey title to) such commodities, goods and assets to the Parties, including to Receiving Parties, if necessary in the course of performing Services hereunder. Any resale of such commodities, goods and assets by Providing Parties to Receiving Parties and/or any use of such commodities, goods or assets by Providing Parties in the provision of Services hereunder shall be at the costs incurred by such Providing Parties, to be allocated among the Receiving Parties pursuant to the methodologies prescribed herein. The Providing Parties shall be accountable for all funds advanced or collected on behalf of a Receiving Party in connection with any transaction in respect of which a Providing Party provides Services. The provision of Services by a Providing Party hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over a Providing Party or its provision of Services hereunder.
- 7.8 In the event that any amendment to this Agreement does not receive any approval or waiver of approval by all Commissions that may be required from time to time, then the Parties shall promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent

and effect, and thereafter file for approval or waiver of approval of the Commissions.

- 7.9 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.10 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.
- 7.11 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.12 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law; provided, however, that no Regulated Party shall be required to comply with this Agreement to the extent such compliance would be a violation of the public utility laws of any state(s) in which such Regulated Party conducts its state-regulated utility operations.
- 7.13 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf as of the day and year first above written.

WEC ENERGY GROUP, INC.
[for itself and on behalf of all Non-Regulated Parties
other than WEC Business Services, LLC]

WEC BUSINESS SERVICES, LLC

By

By

Name

Name

Title

Title

MICHIGAN GAS UTILITIES
CORPORATION

THE PEOPLES GAS LIGHT AND COKE
COMPANY

By

By

Name

Name

Title

Title

MINNESOTA ENERGY RESOURCES
CORPORATION

WISCONSIN ELECTRIC POWER
COMPANY

By

By

Name

Name

Title

Title

NORTH SHORE GAS COMPANY

WISCONSIN GAS, LLC

By

By

Name

Name

Title

Title

WISCONSIN PUBLIC SERVICE
CORPORATION

By

Name

Title

WISCONSIN VALLEY IMPROVEMENT
COMPANY

By

Name

Title

Appendix A -- Regulated Parties

Michigan Gas Utilities Corporation

a Delaware-incorporated Michigan public utility headquartered in Green Bay, Wisconsin, engaged in the business of providing natural gas service

Minnesota Energy Resources Corporation

a Delaware-incorporated Minnesota public utility headquartered in Rosemont, Minnesota, engaged in the business of providing natural gas service

North Shore Gas Company

an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the business of providing natural gas service

The Peoples Gas Light and Coke Company

an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the business of providing natural gas service

Wisconsin Electric Power Company

a Wisconsin public utility corporation headquartered in Milwaukee, Wisconsin, engaged in the business of providing electric service

Wisconsin Gas Company LLC

a Wisconsin public utility limited liability company headquartered in Milwaukee, Wisconsin, engaged in the business of providing natural gas service

Wisconsin Public Service Corporation

a Wisconsin public utility corporation headquartered in Green Bay, Wisconsin, engaged in the business of providing electric and natural gas service

Wisconsin Valley Improvement Company

a Wisconsin corporation headquartered in Wausau, Wisconsin, created under Wisconsin law for the purpose of building, maintaining and operating dams and reservoirs on the Wisconsin River and its tributaries for the purposes of improving navigation, decreasing the hazard of flooding, and providing a uniform flow for all public purposes. WVIC is owned by the downstream owners and operators of hydroelectric facilities (including WPSC) that receive water power benefits from WVIC's operations. WVIC charges its owners cost-based tolls that are fixed by the PSCW. WVIC's ownership and operation of its dams and reservoirs is regulated by the FERC.

Appendix B – Non-Regulated Parties

WEC Energy Group, Inc. and its subsidiaries not listed on Appendix A or on this Appendix B

WEC Business Services, LLC

Appendix C – Services

Subject to the limitations set forth in Section 1.1 and applicable state and federal requirements, a Party may provide to or receive from any other Party the Services described in this Appendix C.

“Major Services” shall mean Services identified as such in this Appendix C and for which Parties expect that, in the normal course of business and under normal operating conditions, they shall provide on a regular or day-to-day basis. “Incidental Services” shall mean Services identified as such in this Appendix C and for which the Parties expect that, in the normal course of business and under normal operating conditions, they shall provide infrequently or, if provided on a regular or day-to-day basis, shall represent an insignificant amount of intercompany services provided by the Providing Party.

I. Any Regulated Party may provide to or receive from any other Regulated Party the following Services:

Major Services

1. **Operational Support - Electric Utility:** Provide services to operate and support electric utility operations, such as compliance with independent system operator requirements; engineering, construction, design, operation and maintenance; contract management, including marketing and procurement; electric capacity, energy and transmission services; FERC, NERC and other regulatory compliance; field services; system planning, analysis and projections.
2. **Operational Support - Gas Utility:** Provide services to operate and support gas utility operations, such as construction, design, operation and maintenance; field services.
3. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; energy conservation support; marketing and sales work.
4. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.

Incidental Services

1. **Fleet:** Maintain vehicles; transport materials and supplies.
2. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of WBS.
3. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).

II. Any Non-Regulated Party may provide to or receive from any Regulated Party the following Services:

Incidental Services

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).
 2. **Fleet:** Maintain vehicles; transport materials and supplies.
 3. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of WBS.
 4. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity.
 5. **Operational Support:** Provide services to operate and support energy operations.
 6. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.
- III. In addition to providing and billing for the Services described above and in Section 1.1, any Party may allocate costs to any other Party as follows:
1. **Cost Allocations:** Payment of an invoice or refunds of credits by one or more Parties for goods or services for which another Party or other Parties benefitted; charges for systems owned by one Party and used by one or more other Parties; financing charges, such as those arising from intercompany loans (provided, however, that no Party shall charge costs to Wisconsin Public Service Corporation, Wisconsin Electric Power Company or Wisconsin Gas Company LLC for intercompany loans); fees for credit lines available to more than one Party; transfers of renewable energy credits or other items of value; use of any airplane owned by WEC; use of housing owned or rented by WEC; benefit plans; transfer of benefits, such as vacation time when an employee transfers employment; and shared personnel, including management, regulatory, corporate directors and officers and their support personnel.
 2. **Transition:** When an employee moves from a position with one Party to a position with another Party, provide services, for a transition period, appropriate to assist the person(s) assuming responsibility for tasks formerly performed by the employee in his former position.
 3. **Short Term Assignments:** When an employee assumes responsibilities, on a short-term (less than two years) basis, with another Party (subject to any otherwise applicable restrictions such as affiliated interest requirements) but does not become an employee of the other Party, provide services required by the new position and allocate costs appropriately.
- IV. Any Non-Regulated Party may provide to or receive from any other Non-Regulated Party any Service.

WEC ENERGY GROUP AFFILIATED INTEREST AGREEMENT

THIS WEC ENERGY GROUP AFFILIATED INTEREST AGREEMENT (“Agreement”) is entered into this ~~17th~~ day of ~~December, 2013,~~, 2015, by and among ~~Integrys~~WEC Energy Group, Inc. (“~~Integrys~~WEC”), a public utility holding company, the regulated subsidiaries of ~~Integrys~~WEC listed on Appendix A (the “Regulated Parties”), and the non-regulated subsidiaries of ~~Integrys~~WEC listed on Appendix B (the “Non-Regulated Parties”). Each party to this Agreement is a “Party.”

RECITALS

A. Each of the Regulated Parties, except WVIC (defined in Appendix A), is a state-regulated utility operating company, a wholly-owned subsidiary of ~~Integrys~~WEC, and an affiliated interest of all other Parties pursuant to the applicable public utility law of the state(s) in which it conducts its regulated utility operations.

B. Each of the Non-Regulated Parties is a wholly-owned subsidiary of ~~Integrys~~WEC that does not provide state-regulated utility service to captive customers, and is not otherwise a “public-utility company” as that term is defined at 42 U.S.C. § 16451(14) and as such definition is construed by the Federal Energy Regulatory Commission (“FERC”).

C. ~~Integrys~~WEC Business ~~Support~~Services, LLC (“~~Integrys—Support~~WBS”), a Non-Regulated Party, is a centralized service company, as defined and regulated by the FERC, that was formed to provide various services to the other Parties.

D. In order to maximize efficiencies and economies of scale, the Parties desire to plan and operate certain aspects of their businesses with the integration of certain activities by sharing and receiving certain services, employees, properties, information systems and/or anything else of commercial value.

E. ~~While the vast majority of shared services within the Integrys holding company system are provided by Integrys Support pursuant to separate agreements (“IBS AIAs”), many~~

~~of the other Parties will from time to time perform various services for one another, or transfer goods, assets, rights or things of any kind between or among one another.F.~~ The Parties intend that this Agreement shall establish the terms, conditions, and procedures that shall apply to the sharing of services and other transfers of goods, property, assets, rights or things of any kind between them, subject to the regulatory jurisdiction of the Illinois Commerce Commission (“ICC”), Michigan Public Service Commission (“MPSC”), Minnesota Public Utilities Commission (“MPUC”), and the Public Service Commission of Wisconsin (“PSCW”), and any other state public service commission with jurisdiction over the retail service rates of any Regulated Party from time to time (collectively the “Commissions”) pursuant and subject to applicable state utility law.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Parties agree as follows:

AGREEMENT

Article I Provision of Services

- 1.1 Subject to the limitations set forth in this Article I and applicable state and federal requirements, a Party (including ~~Integrys Support~~[WBS](#)) may request Services from another Party (other than ~~Integrys Support~~[WBS](#)). The term “Services” is further described in Appendix C and may include any service, good, asset, property, employee, right, interest, thing or item of value, or anything of commercial value to the transferee or recipient, the furnishing or provision of which could be considered a “contract or arrangement,” “service” or other exchange of “property” or “assets” (or other similar designations) which, absent this Agreement, could require the approval of one or more of the Commissions as an affiliated interest arrangement (each, a “Service”).

- 1.2. Each Party shall have the right, at its sole discretion, to refuse to provide or furnish any Services requested pursuant to this Agreement; there shall be no exclusive right or right of first refusal associated with the provision or furnishing of such Services pursuant to this Agreement; and receiving a refusal from another Party to a request under this Agreement shall not be a prerequisite for any Party to obtain from an independent third party any property, service or thing which is or could be provided or furnished under this Agreement. Refusals of requests by any Party under this Agreement shall not terminate all or any portion of this Agreement.
- 1.3 Parties providing Services under this Agreement (each a “Providing Party”) and Parties receiving any Service under this Agreement (each a “Receiving Party”) may establish and document their mutual expectations and requirements with respect to any particular Service to be rendered hereunder.
- 1.4 With respect to certain Providing Parties as applicable:
- (i) No Party shall provide a Service under this Agreement if the Service must, if it is to be provided by an affiliate, instead be provided by ~~Integrus-Support~~WBS pursuant to an ~~IBS~~WBS AIA.
 - (ii) No Regulated Party shall be required to take actions pursuant to this Agreement that negatively impact the reliability or quality of utility services available to customers of the Regulated Party, impede the ability of the Regulated Party to provide utility services to its customers, or increase the costs to its customers of receiving such utility services.

Article II Determining Charges for Services Provided

- 2.1 Cost of Services.

- (i) All Services provided by any Regulated Party to another Regulated Party shall be priced at cost, with “cost” being determined as provided in Section 2.2.
- (ii) All Services provided by any Regulated Party to any Non-Regulated Party shall be priced at the greater of cost or fair market value, with “cost” being determined as provided in Section 2.2 and with fair market value being determined pursuant to Section 2.4.
- (iii) All Services provided by any Non-Regulated Party to any Regulated Party shall be priced at the lesser of cost or fair market value, with “cost” being determined as provided in Section 2.3 and with fair market value being determined pursuant to Section 2.4.
- (iv) Notwithstanding anything else in this Agreement, all Services provided by any Party to ~~Integrys Support~~WBS shall be priced at cost, with “cost” being determined as provided in Section 2.2 when the Providing Party is a Regulated Party and as provided in Section 2.3 when the Providing Party is a Non-Regulated Party.

2.2 Determining “Cost” For Regulated Providing Parties

- (i) Labor Cost.
 - A. Each employee of any Regulated Party who in any month was a Providing Party shall, for that month, identify the actual time spent providing Services and report the total time spent providing Services in the Corporate Labor System that is maintained by ~~Integrys Support~~WBS or that is otherwise maintained in accordance with established accounting procedures of the Regulated Party.

B. Based on actual compensation and the total hours actually worked, a direct labor dollar hourly rate shall be computed for each such employee identified pursuant to sub-paragraph (i)(A).

C. An overhead shall be established and shall be applied to direct labor dollars (product of sub-paragraphs (i)(A) and (i)(B)) to include:

1. Costs associated with pensions, other post-employment benefits, social security taxes, unemployment compensation, health, dental and life insurance, training, vacation, sick, holiday and other employee benefits;

2. Average cost of administrative and general costs including, but not limited to, telephone, office supplies, property insurance and miscellaneous expenses, and excluding regulatory commission expense and other nonrelated expenses;

3. Costs of office space, furniture and equipment, using a return on net assets at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a service for which a cost is being determined hereunder.

(ii) Equipment Cost. Costs for equipment, other than office furniture and related equipment, used in the provision of Services or otherwise provided will include all operating expenses, applicable overheads, maintenance, depreciation, return on investment and taxes, income taxes, sales or otherwise. Transportation and vehicle costs used in providing Services will be determined based on relative total hours or miles of use or on a vehicle loading applied to labor costs, as appropriate,

and will include repairs, maintenance, fuel, depreciation, return on investment and, where appropriate, rental expense. In all cases, return on investment shall be calculated using a return on net assets at a rate equal to the prevailing pre-tax weighted cost of capital (economic cost of capital) authorized by the Commission(s) having jurisdiction over the retail rates of the Regulated Party that provided a Service for which a cost is being determined hereunder.

- (iii) **Materials and Supplies Cost.** Costs of materials and supplies commonly used across affiliates will be directly determined and charged. All appropriate overheads will follow the assignment of the direct costs. The costs of material will be based on the average unit price, which includes invoice price, shipping expenses, and net of purchase discounts. Appropriate overheads allocated will include: (i) operation and maintenance costs, which include, but are not limited to, the functions of purchasing, receiving, storing, dispensing and accounting for items; building maintenance; external security costs; general facility upkeep and preventative maintenance; and building utility costs based on the square footage occupied by warehousing functions; and (ii) depreciation and carrying costs on transportation equipment used in providing the Service.
- (iv) **Other Direct Costs.** Other direct costs including but not limited to contract labor, contract services, employee reimbursement for meals and lodging and other costs not included in labor, equipment, materials and supplies will be either accumulated and billed directly based on actual charges or allocated as a loading on labor costs as appropriate.

- (v) Calculating Total Cost of Service. The sum of the direct and indirect charges calculated in accordance with sub-paragraphs (i) through (iv) above, shall constitute the total cost of Services provided.
- (vi) Cost Records. Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads provided shall be determined in accordance with accounting standards customarily used by such businesses. Each Regulated Party will maintain a cost accounting system to accumulate all costs related to Services they provide, on an activity, department, project, function, work order, or other appropriate basis, and which is adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by regulatory bodies having jurisdiction.

2.3 Determining "Cost" For Non-Regulated Providing Parties. Costs of labor, equipment, materials and supplies, depreciation, and other reasonable overheads and costs incurred by a Non-Regulated Party in the course of providing a Service to a Regulated Party hereunder shall be determined in accordance with accounting standards customarily used by businesses such as those in which the Non-Regulated Party is engaged. Each Non-Regulated Party providing a Service to a Regulated Party hereunder shall keep and maintain accounting and bookkeeping records which are adequate to enable its actual costs in connection with transactions hereunder to be audited and tracked by the Commission(s) having jurisdiction over the retail rates of any Regulated Party to whom it provides a Service hereunder.

2.4 Fair Market Value. The fair market value of a Service provided under this Agreement shall mean the cost determined by making a good faith effort to

identify the resources necessary to perform the Service, and the value of such Service based on a general knowledge of the relevant market for such or a similar Service as well as, if available, comparison with bids or quotations for such or a similar Service. If, despite good faith efforts, a Providing Party is not able to determine the fair market value of a Service it provides to a Receiving Party, the fair market value shall be deemed to be equal to the Providing Party's cost, calculated as described in this Agreement, incurred in providing the Service.

Article III Billing; Payment; Related Provisions

- 3.1 Each Providing Party shall, for any month in which it provides a Service hereunder, render a monthly bill to each Receiving Party reflecting the charges for Services provided in the preceding month. Each bill shall include sufficient information and be in sufficient detail to permit each Receiving Party to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject.
- 3.2 Upon receipt of a monthly bill for Services so rendered, each Receiving Party shall promptly pay any undisputed portion of the bill within ten (10) business days.
- 3.3 If a Receiving Party disputes the calculation of any portion of a monthly bill it shall, when it pays the undisputed portion as contemplated by Section 3.2 or in any event no later than sixty (60) days after receiving the bill, inform the Providing Party in writing as to its reasons for its dispute. The Parties involved in such dispute shall then meet to resolve in good faith the dispute, and shall involve the other Parties in the resolution of the dispute to the extent necessary and appropriate.

Article IV Accounting; Records; Reports

- 4.1 Each of the Regulated Parties shall keep all its accounts and records in accordance with the relevant requirements promulgated by the Commission(s) with jurisdiction. Without limiting the foregoing, each of the Regulated Parties shall maintain adequate books and records with respect to all of its transactions under this Agreement and shall record the costs to be allocated to any Party hereunder in appropriate accounts in its general ledger system. The Regulated Parties shall each maintain internal controls to ensure that it allocates and bills the costs associated with all transactions under this Agreement properly and consistently in accordance with the terms and provisions of this Agreement.
- 4.2 Each year by May 1, each of the Regulated Parties shall submit to the person or department designated by its Commission or its Commission's staff: (i) billing reports showing its charges, as a Providing Party, to any Receiving Party to which it provided Services hereunder during the preceding calendar year; and (ii) billing reports showing its payments, as a Receiving Party, for Services received from Providing Parties hereunder during the preceding calendar year.
- 4.3 Every year there shall be an internal audit of transactions under this Agreement for the purpose of testing compliance with the Agreement. Such audit may be either a discrete audit solely of Services under this Agreement or may be an audit of the Services under this Agreement and other affiliated interest service agreements. The internal audit shall include, but not be limited to, the following: 1) the accuracy of the derivations of costs billed by the Providing Parties; 2) the determination that the costs billed to the Regulated Parties are priced at the lesser of cost or fair market value, based on the studies and updates required by Section 4.4; 3) the determination that Services provided by the Regulated Parties

to the Non-Regulated Parties, except ~~Integrus Support~~WBS, are billed at the higher of cost or market, based on the studies and updates required by Section 4.4; and 4) the accuracy of invoices issued under the Agreement during the year. The Regulated Parties shall submit a copy of the audit report to the person or department designated by the Commissions or the Commissions' staffs no later than July 1 of each audit year. The first such audit report shall pertain to the period ending December 31 of the year in which this Agreement is effective, and shall be due on or before July 1 of the following year. Subsequent audit reports shall be due July 1 following the calendar year that is the subject of the audit.

- 4.4 Every third year, on or before May 1, the Parties shall conduct a new study of the cost of Services provided hereunder for the purpose of testing compliance with the provisions of this Agreement requiring charges at the fair market value and to analyze the market price of services provided. The study shall include Services provided between a Regulated Party and a Non-Regulated Party at cost. The study shall be updated at least annually. The Parties shall notify the person or department designated by the Commissions or the Commissions' staffs of the availability of the study and annual update and, if requested, make such available for review at the Commission's offices. The first such new study shall pertain to the period ending December 31, ~~2011,2017~~, and shall be due on or before May 1, ~~2012-2018~~.

Article V **Representations and Warranties of the Parties**

- 5.1 Each Party has the right, power, and authority to enter into and perform its obligations under this Agreement.

- 5.2 Each Party has taken all requisite corporate action to approve execution, delivery, and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation of each Party enforceable in accordance with its terms.
- 5.3 The fulfillment of obligations hereunder will not constitute a material violation of any existing applicable law, rule, regulation, or order of any governmental authority. The Parties acknowledge that all or portions of this Agreement may be challenged before regulatory agencies or a court of competent jurisdiction by other persons or entities not Parties hereto. In such event, the Parties agree that each will use its best efforts before such agencies and courts to support the pursuit and accomplishment of the Parties' mutual endeavors hereunder.

Article VI Liability and Indemnity

- 6.1 Each Party (for purposes of this Section 6.1, each an "Indemnifying Party") shall indemnify and save harmless each other Party (for purposes of this Section 6.1, each an "Indemnified Party") from any and all damages, expenses, claims, costs, attorneys' fees or other injury, including without limitation injury to person, life or property and further including injury resulting in the death of any person or persons ("Damages") in any manner arising out of or in connection with the willful or negligent acts or omissions of the Indemnifying Party in the performance of this Agreement. In the event that one or more Indemnified Parties is made a party to any suit or litigation on account any actual or alleged Damages, the appropriate Indemnifying Party or Parties will defend such action on behalf of the Indemnified Party or Parties and, if judgment shall be obtained or claim allowed in any of said proceedings against one or more Indemnified Parties, the

appropriate Indemnifying Party or Parties will pay and satisfy such judgment or claim in full.

- 6.2 Each Party agrees that no other Party shall be liable to it for special, punitive, consequential, exemplary or incidental damages or other such losses, damages, costs or liabilities arising from any cause whatsoever, whether occasioned by the negligent acts or omissions of a Party or its employees, agents or representatives or otherwise.

Article VII Additional Provisions

- 7.1 This Agreement shall become effective upon the ~~first day of the first fiscal year quarter following issuance of all approvals or waivers as might be required by law, from each and all of the Commissions~~ closing of that certain Agreement and Plan of Merger dated as of June 22, 2014, between Integrys Energy Group, Inc. and Wisconsin Energy Corporation. Once effective, this Agreement shall continue in full force and effect until and unless modified or terminated as provided herein.
- 7.2 This Agreement may be amended or modified at any time by mutual agreement of the Parties in writing. This Agreement, and any rights hereunder, may not be assigned without the written consent of all Parties hereto. Except as otherwise provided herein or under applicable law, any such modification, amendment or assignment shall not become effective until receipt of approvals or waivers by the Commissions as might be required by law. The addition of a Party to this Agreement or the termination of this Agreement as to a Party shall not require the prior approval of the Commissions but the Regulated Parties shall give written notice to the Commissions of changes to Appendix A or Appendix B reflecting the current Parties to this Agreement. Any change to Appendix C

reflecting the Services and categories of Service provided hereunder shall not require the prior approval of the Commissions but the Regulated Parties shall give sixty (60) days' prior written notice to the Commissions of changes to Appendix C.

- 7.3 A Party leaving the ~~Integrus~~WEC holding company system may continue to receive Services from any Providing Party hereunder for a reasonable transitional period of time following such departure from the ~~Integrus~~WEC holding company system. Once any such departure has occurred and the Party has ceased receiving Services, an updated Appendix A and/or B shall be filed with the Commissions.
- 7.4 In providing all Services, any Providing Party may arrange, where it deems appropriate, for the services of such third party experts, consultants, attorneys, advisers, or other contractors or agents with necessary qualifications as may be required for or pertinent to the performance of Services for the Parties hereunder.
- 7.5 Each Party shall treat in confidence all information that it may obtain from or regarding the other Parties and their respective businesses during the term of this Agreement. Each Party agrees to protect the other Parties' information using the same degree of care which it uses to protect its own confidential information, and in no event less than reasonable care. Except to the extent disclosure of such information is required by a governmental authority having jurisdiction, such information shall not be communicated to any person other than the Parties, and shall be shared among the Parties only to the extent certain persons need to know such information in order for the Parties to perform under this Agreement. If a Party is required to disclose confidential information

to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The requirements of this Section 7.5 shall not apply with respect to information that (i) is or becomes available to such Party from a source other than the Party providing such information, unless such other source has imposed confidentiality restrictions, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

7.6 The Parties agree and acknowledge that any legal advice or legal services provided, or arranged to be provided, by or on behalf of any Providing Party hereunder will be for the direct or indirect benefit or common interest of all of the Receiving Parties, and it is therefore the intention of all Parties hereto to maintain all privileges that may apply to any communications related to the provision or receipt of such legal advice or services.

7.7 The Parties hereby appoint all Providing Parties as their agent to represent them in performing services for or on their behalf in providing Services hereunder. The Parties also authorize all Providing Parties hereunder to purchase (*i.e.*, take title to) various commodities, goods and assets in connection with their performance of Services hereunder, and to resell (*i.e.*, convey title to) such commodities, goods and assets to the Parties, including to Receiving Parties, if necessary in the course of performing Services hereunder. Any resale of such commodities, goods and assets by Providing Parties to Receiving Parties and/or any use of such commodities, goods or assets by Providing Parties in the provision of Services hereunder shall be at the costs incurred by such Providing Parties, to be allocated among the Receiving Parties pursuant to the

methodologies prescribed herein. The Providing Parties shall be accountable for all funds advanced or collected on behalf of a Receiving Party in connection with any transaction in respect of which a Providing Party provides Services. The provision of Services by a Providing Party hereunder shall in all cases and notwithstanding anything herein to the contrary be subject to any limitations contained in authorizations, rules or regulations of those governmental agencies having jurisdiction over a Providing Party or its provision of Services hereunder.

- 7.8 In the event that any amendment to this Agreement does not receive any approval or waiver of approval by all Commissions that may be required from time to time, then the Parties shall promptly negotiate in good faith new provisions to restore such amendment, as nearly as possible, to its original intent and effect, and thereafter file for approval or waiver of approval of the Commissions.
- 7.9 If any governmental or regulatory agency or court of competent jurisdiction holds that any provision of this Agreement is invalid, or otherwise takes action resulting in the impossibility or impracticability of performance of all or a portion of this Agreement, the remainder of this Agreement shall not be affected thereby and shall continue in full force and effect. In the event any provision of this Agreement is so held invalid, the Parties hereto shall promptly renegotiate in good faith new provisions to restore this Agreement as nearly as possible to its original intent and effect.
- 7.10 No course of dealing or course of performance between the Parties shall be construed to alter the terms hereof.

- 7.11 The Parties agree that there is no third party beneficiary of this Agreement and that the provisions of this Agreement do not impart enforceable rights to anyone who is not a Party.
- 7.12 This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without regard to principles of conflicts of law; provided, however, that no Regulated Party shall be required to comply with this Agreement to the extent such compliance would be a violation of the public utility laws of any state(s) in which such Regulated Party conducts its state-regulated utility operations.
- 7.13 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed on its behalf as of the day and year first above written.

~~INTEGRYS~~WEC ENERGY GROUP, INC.

~~INTEGRYS~~WEC
~~SUPPORT~~SERVICES, LLC

BUSINESS

[for itself and on behalf of all Non-Regulated Parties
other than ~~Integrys~~WEC Business ~~Support, LLC, Integrys~~
~~Energy Services, Inc. and the subsidiaries of Integrys~~Energy Services, Inc.~~LLC]~~

By

By

Name ~~William J. Gue~~

Name ~~William J. Gue~~

Title

Title ~~Treasurer~~

Title _____

~~UPPER PENINSULA POWER COMPANY~~
~~THE PEOPLES GAS LIGHT AND COKE~~
CORPORATION COMPANY

~~Treasurer~~
MICHIGAN GAS UTILITIES

By

By

Name ~~William J. Gue~~

Name ~~William J. Gue~~

~~Title Treasurer~~

~~Title~~ _____

~~Treasurer~~

Title

Title

MINNESOTA ENERGY RESOURCES
~~COKE~~WISCONSIN ELECTRIC POWER
CORPORATION

~~THE PEOPLES GAS LIGHT AND~~
COMPANY

By

By

Name ~~William J. Gue~~

Name ~~William J. Gue~~

Title ~~Treasurer~~

Title ~~Treasurer~~

NORTH SHORE GAS COMPANY

WISCONSIN ~~PUBLIC SERVICE~~GAS, LLC
CORPORATION

By

Name ~~William J. Gue~~

Title ~~Treasurer~~

By

Name ~~William J. Gue~~

Title ~~Treasurer~~

~~INTEGRYS ENERGY SERVICES, INC.~~ WISCONSIN PUBLIC SERVICE CORPORATION

By

Name

Title

WISCONSIN VALLEY IMPROVEMENT

COMPANY

~~[for itself and on behalf of its subsidiaries]~~

~~By-~~

~~By-~~

Name ~~William J. Gue~~

~~Name~~

Title ~~Treasurer~~

~~Title~~

Appendix A -- Regulated Parties

Michigan Gas Utilities Corporation

a Delaware-incorporated Michigan public utility headquartered in Green Bay, Wisconsin, engaged in the business of providing natural gas service

Minnesota Energy Resources Corporation

a Delaware-incorporated Minnesota public utility headquartered in Rosemont, Minnesota, engaged in the business of providing natural gas service

North Shore Gas Company

an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the business of providing natural gas service

The Peoples Gas Light and Coke Company

an Illinois public utility corporation headquartered in Chicago, Illinois, engaged in the business of providing natural gas service

~~Upper Peninsula~~ Wisconsin Electric Power Company

a ~~Michigan~~ Wisconsin public utility corporation headquartered in ~~Houghton,~~ ~~Michigan~~ Milwaukee, Wisconsin, engaged in the business of providing electric service

Wisconsin Gas Company LLC

a Wisconsin public utility limited liability company headquartered in Milwaukee, Wisconsin, engaged in the business of providing natural gas service

Wisconsin Public Service Corporation

a Wisconsin public utility corporation headquartered in Green Bay, Wisconsin, engaged in the business of providing electric and natural gas service

Wisconsin Valley Improvement Company

a Wisconsin corporation headquartered in Wausau, Wisconsin, created under Wisconsin law for the purpose of building, maintaining and operating dams and reservoirs on the Wisconsin River and its tributaries for the purposes of improving navigation, decreasing the hazard of flooding, and providing a uniform flow for all public purposes. WVIC is owned by the downstream owners and operators of hydroelectric facilities (including WPSC) that receive water power benefits from WVIC's operations. WVIC charges its owners cost-based tolls that are fixed by the PSCW. WVIC's ownership and operation of its dams and reservoirs is regulated by the FERC.

Appendix B – Non-Regulated Parties

~~Integrys~~WEC Energy Group, Inc. and its subsidiaries not listed on Appendix A or on this Appendix B

~~Integrys Energy Services, Inc. and its subsidiaries~~

~~Integrys~~WEC Business ~~Support~~Services, LLC

Appendix C – Services

Subject to the limitations set forth in Section 1.1 and applicable state and federal requirements, a Party may provide to or receive from any other Party the Services described in this Appendix C.

“Major Services” shall mean Services identified as such in this Appendix C and for which Parties expect that, in the normal course of business and under normal operating conditions, they shall provide on a regular or day-to-day basis. “Incidental Services” shall mean Services identified as such in this Appendix C and for which the Parties expect that, in the normal course of business and under normal operating conditions, they shall provide infrequently or, if provided on a regular or day-to-day basis, shall represent an insignificant amount of intercompany services provided by the Providing Party.

I. Any Regulated Party may provide to or receive from any other Regulated Party the following Services:

Major Services

1. **Operational Support - Electric Utility:** Provide services to operate and support electric utility operations, such as compliance with independent system operator requirements; engineering, construction, design, operation and maintenance; contract management, including marketing and procurement; electric capacity, energy and transmission services; FERC, NERC and other regulatory compliance; field services; system planning, analysis and projections.
2. **Operational Support - Gas Utility:** Provide services to operate and support gas utility operations, such as construction, design, operation and maintenance; field services.
3. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity; energy conservation support; marketing and sales work.
4. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.

Incidental Services

1. **Fleet:** Maintain vehicles; transport materials and supplies.
2. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of ~~Integrus Support~~WBS.
3. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee’s normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).

II. Any Non-Regulated Party may provide to or receive from any Regulated Party the

following Services:

Incidental Services

1. **Administrative and Maintenance:** Provide administrative and other support that is incidental to an individual employee's normal job duties such as clerical support, reporting assistance, and regulatory support such as data responses; provide building management and maintenance support at company-owned or leased premises; provide information technology support in a limited capacity (e.g., two-way radio support).
 2. **Fleet:** Maintain vehicles; transport materials and supplies.
 3. **Project Assistance (IT):** Provide support for information technology projects, including those that will be capitalized as an asset of ~~Integrys Support~~WBS.
 4. **Customer:** Provide customer service; support billing and payment processing; support credit and collections activity.
 5. **Operational Support:** Provide services to operate and support energy operations.
 6. **Warehousing:** Provide materials and supplies, including storage, ordering, and inventory management.
- III. In addition to providing and billing for the Services described above and in Section 1.1, any Party may allocate costs to any other Party as follows:
1. **Cost Allocations:** Payment of an invoice or refunds of credits by one or more Parties for goods or services for which another Party or other Parties benefitted; charges for systems owned by one Party and used by one or more other Parties; financing charges, such as those arising from intercompany loans (provided, however, that no Party shall charge costs to Wisconsin Public Service Corporation, Wisconsin Electric Power Company or Wisconsin Gas Company LLC for intercompany loans); fees for credit lines available to more than one Party; transfers of renewable energy credits or other items of value; use of any airplane owned by ~~Integrys~~WEC; use of housing owned or rented by ~~Integrys~~WEC; benefit plans; transfer of benefits, such as vacation time when an employee transfers employment; and shared personnel, including management, regulatory, corporate directors and officers and their support personnel.
 2. **Transition:** When an employee moves from a position with one Party to a position with another Party, provide services, for a transition period, appropriate to assist the person(s) assuming responsibility for tasks formerly performed by the employee in his former position.
 3. **Short Term Assignments:** When an employee assumes responsibilities, on a short-term (less than two years) basis, with another Party (subject to any otherwise applicable restrictions such as affiliated interest requirements) but does not become an employee of the other Party, provide services required by the new position and allocate costs appropriately.
- IV. Any Non-Regulated Party may provide to or receive from any other Non-Regulated Party any Service.